



## Gunmen kidnap French diplomat in West Beirut

BY NORA BOUSTANY IN BEIRUT

GUNMEN yesterday kidnapped a French consul officer in the western Moslem sector of Beirut and another French diplomat and his daughter were missing after they failed to report for work, Embassy officials said.

M. Marcel Fontaine, the French vice-consul was buying newspapers when two clean-shaven young men with pistols bundled him into a car about 100 yards from the embassy compound.

The kidnapping brought to five the number of Westerners abducted in Lebanon in the last nine days. Four of them were taken away at gunpoint in the Moslem sector of the Lebanese capital, including two British nationals.

No group has yet claimed credit for yesterday's abductions. Last week anonymous caller claiming to speak for the "Islamic Jihad" organisation said his group had kidnapped Mr. Terry Anderson, the American bureau chief of the Associated Press, and Britons Mr. Brian Levick and Mr. Geoffrey Nash, a businessman and a metallurgist.

Reuters reports from Sidon: Israeli troops in an armoured personnel carrier killed a 14-year-old girl and wounded 12 people yesterday when they opened fire in a Shi'ite Moslem village 30 km south of Sidon, security sources said.

A United Nations statement said Israeli soldiers searching the village of Qleish, south of

Tyre, shot and killed one villager and wounded another.

Mr. Timor Goksel, a member of the UN Interim Force in Lebanon (Unifil), said about 70 Israeli troops rounded up 300 men in the village school for interrogation.

They left at noon taking 26 bound captives with them, eight of them blindfolded, security sources said.

The Israelis yesterday killed 23 people, including two Lebanese journalists working for the U.S. television network CBS, in what the Israelis described as "raids" on Shi'ite villages outside their occupation zone.

Our Tel Aviv correspondent adds: Israel is making no apologies for the deaths of the two newsmen. Prime Minister Shimon Peres yesterday defended the tank crew, saying it "did not deviate from the strict orders concerning the protection of innocent bystanders."

In a condolence message to CBS, Mr. Peres said the newsmen were in a group of armed men when Israeli troops raided a Shi'ite village near Sidon on Thursday. Some eye-witnesses disputed this, however, and said the newsmen were among unarmed villagers and journalists.

The Israeli army said it would conduct nothing more than a routine investigation into the incident. "If journalists enter territory in which armed terrorists are located, they take on themselves the risk of getting hurt," an army statement said.

## Reagan reaffirms support for Mideast peace talks

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan pushed to keep up the momentum of recent moves towards a new round of Middle East peace negotiations, and denied that the U.S. had "disengaged" from the peace process, at his Thursday night news conference.

Mr. Reagan repeated that the U.S. would be willing to meet a joint Jordanian/Palestinian delegation, as proposed by Mr. Hosni Mubarak, the Egyptian President, as a first step towards direct Arab-Israeli negotiations. He again insisted, however, that the delegation could not "at the moment" contain members of the Palestine Liberation Organisation, because the PLO had not yet recognised Israel and accepted United Nations Security Council Resolution 242, which calls for an exchange of land for peace.

He said there were plenty of Palestinians who did not feel that they were represented by the PLO. "For example many of those who are living and holding local offices on the West

Bank" could participate in the proposed joint delegation.

Mr. Reagan said that thanks to the efforts of Mr. Mubarak and Jordan's King Hussein, there was no "a reasonable chance" that negotiations could get under way. He reiterated, however, that the U.S. aim was direct Arab-Israeli talks and that the U.S. had "no business" getting involved in such negotiations.

Mr. Reagan put a positive gloss on his talks with Mr. Mubarak in Washington last week, insisting that it was a "misapprehension" that Mr. Mubarak had left disappointed. "He told us what he was doing and certainly we complemented him highly on what he is doing—I think it's great," Mr. Reagan said.

The U.S. had not been "idle," Mr. Reagan insisted. "We have been trying to build up a relationship with the Arab nations as well as the relationship that we have always had with Israel," he said. Mr. Mubarak had made no specific requests during his Washington visit.

## Low price rises in U.S. keep inflation steady

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

U.S. CONSUMER prices rose by a modest 0.3 per cent in February, maintaining the steady, low inflation rate of the past two-and-a-half years, the Labour Department said yesterday.

The department's report, which showed a 3.5 per cent rise in the Consumer Price Index over the previous 12 months, appeared to calm fears that inflation had begun to accelerate. The figures came a day after the Commerce Department had estimated that the broadly based GNP implicit price deflator was increasing at an annual rate of 5.4 per cent in this quarter.

Government analysts said yesterday that when technical factors were taken into account, the Commerce Department

figures suggested that the underlying rate of inflation was less than four per cent. February's CPI increase represented a compounded 4.2 per cent annual rate.

The 0.3 per cent rise in February was the same as the monthly average since October 1981, maintaining a trend that has varied little as the economy has fluctuated in the past year.

The February increase, which followed an 0.2 per cent rise in January was held back by lower petrol and meat prices, the Labour Department said. If energy and food were excluded, however, the remaining goods and services showed a much sharper 0.6 per cent increase.

## Brussels setback exasperates Madrid

By David White in Madrid

SPANISH exasperation over the last-minute interruption of EEC entry negotiations was more than apparent yesterday despite a moderate official posture.

Sr. Felipe Gonzalez, the Prime Minister, said he had conferred by telephone with President Mitterrand following the breaking-off of discussions in Brussels on Thursday night, and that he was confident an agreement could still be reached when talks are renewed next week ahead of the EEC summit.

However, his assurances of "serenity" over the eventual outcome were offset by unanimous press condemnation of France for once more providing the obstacle in Spain's path to Europe.

The Government is due to report to parliament on the setback on Tuesday or Wednesday next week, just before the proposed new talks. But Sr. Gonzalez said he saw little point at this stage in a parliamentary debate on entry terms as sought by the right-wing opposition.

There is some concern at the prospect of final details being put off until next weekend, when it is feared psychological pressures might force less favourable terms on Spain.

France's last-minute quibbles, which involve five fishing boats (of those that will be allowed to operate in EEC waters at any one time) and 30m litres of table wine, came after general satisfaction over the earlier progress of the talks, particularly in the delicate fisheries chapter.

The upset came as the Spanish media was already starting to celebrate the historic moment at which Spain's entry into Europe would be finally agreed, after six years of negotiations and generations of virtual isolation. Newspapers yesterday had to hold back special commemorative pages.

The Brussels snarl-up is attributed in Madrid to purely electoral French concerns following Socialist losses in the cantonal elections earlier this month. However, Sr. Gonzalez refused to comment on French motives.

## Lisbon signals cautious relief

By Diana Smith in Lisbon

LISBON responded with cautious relief that the five-day Brussels marathon had covered most of the groundwork for a final agreement without damaging national interests.

The Mario Soares Government is particularly adamant about protecting national waters from indiscriminate Spanish fishing. Agreement to the EEC's proposal for a 200-mile "Iberian zone" without clear demarcation of Portuguese waters would have created a political uproar in a country hypersensitive to Spanish encroachment, granted by the former Portuguese regime, on rich spawning grounds.

The Community's constant extension of deadlines for the end of negotiations has strained the credibility of Sr. Soares' cabinet. Those sceptical about the benefits of EEC membership have begun to interpret the delays as a slight to national pride, and to blame this on Sr. Soares.

If completion is possible next week, the Government can progress faster with plans to modernise the economy, which need certainty about EEC membership to be viable.

## European Investment Bank loan for UK

THE European Investment Bank, the Community's bank for long-term finance is advancing nearly \$30m for three projects in Britain. The projects are a new airport in North Wales, schemes to improve the environment and drinking water quality in Devon and access improvements to Harwich harbour.

## EEC SUMMIT

# Budget deal a surprise package

BY QUENTIN PEEL IN BRUSSELS

JUST WHEN no one was watching this week—at the end of five days of gruelling and ultimately abortive negotiations on the terms for Spanish and Portuguese membership of the EEC—the Community Foreign Ministers pulled a rabbit out of a hat.

Late on Thursday night they cobbled together an agreement on how to meet all their looming financial problems, and still leave everyone relatively satisfied.

The deal, which broke a deadlock dating all the way back to last June's summit meeting of EEC leaders at Fontainebleau, means three things:

● A proper budget can be drawn up for 1985, allowing new policies to be implemented as well as the continuation of existing programmes.

● Britain can receive its pro-

posed reduction in budget contributions of Ecu 1bn (£570m) before the end of 1985.

● Member states will increase their long-term contributions to the Community's "own resources" in 1986, from the present 1 per cent VAT ceiling to 1.4 per cent, to head off the perennial budget crisis for at least another 12 months.

Inevitably, all is not quite yet sweetness and light. Greece still has a reservation on the package, and the European Parliament has to be consulted. There is a question-mark over whether any single national parliament may still hold up the British cash until 1988. But in essence the deal is done.

Mr. Henning Christophersen, the European Budget Commissioner, promised yesterday to produce the necessary figures next week to allow the Council of Ministers and the European

Parliament to agree on a new 1985 budget.

Latest calculations in the Commission put the budget gap, to be financed by the 10 member states in the form of one-off payments, at some Ecu 2.2bn (£125bn), on top of the Ecu 25.9bn (£14.7bn) draft budget rejected last December. The Budget Ministers, led as usual by the British, seem certain to try to reduce that figure as much as possible.

Financing that shortfall was the easiest part of the agreement. The real problem was to finance Britain's Ecu 1bn during 1985, while West Germany remained adamant that long-term contributions could not be increased before the date of Spanish and Portuguese membership in 1986.

What the Ministers agreed was that Britain should get its reduced contributions within

two days of all national parliaments ratifying the decision to raise the VAT ceiling from 1 per cent to 1.4 per cent, regardless of whether enlargement had been ratified or not. The nine other members would have to increase their VAT-based payments marginally to make up the Ecu 1bn in the 1985 budget, but not to the extent of the full 1.4 per cent.

The only danger now to the British Ecu 1bn in 1985 would be if one or more national parliaments decided to delay ratification of the new VAT ceiling. If they did so, they would be in danger of cutting off their noses to spite their faces. It would mean that the 1985 budget could not be drawn up on the assumption of increased contributions. In the words of a Commission official, that would produce "a catastrophic situation" making the present budgetary mess seem positively minor.

## Recriminations over enlargement deadlock

BY OUR BRUSSELS CORRESPONDENT

RECRIMINATIONS were flying in Brussels yesterday as exhausted officials from the EEC member states and their counterparts in the European Commission sought to apportion blame for the last-minute failure to finalise membership terms for Spain and Portugal.

A record five days of negotiations on the 14th and 15 floors of the Charlemagne building, headquarters of the EEC Council of Ministers, actually produced remarkable progress on all the major problems under debate.

At the end, however, the fact that Sig. Giulio Andreotti, the Italian Foreign Minister and current council president, had to call another meeting for next week, caused bitter disappointment.

France was the most popular target of the day, as both Sig. Andreotti and Sr. Fernando Morán, the Spanish Foreign Minister, singled out the French Government's resistance on the final terms for agriculture and

fisheries as the ultimate stumbling block.

Sig. Andreotti, who finished the talks with a non-stop 36-hour stretch without sleep, insisted that the entire compromise package be presented had been unacceptable to the Spanish. Because of the French objections, he said, the talks will have to continue next Thursday and Friday, with a deadline to finish before the EEC summit begins on Friday afternoon.

Commission officials were taking a more generous line yesterday, saying that a variety of technical objections to the package remained, from a number of EEC member states.

None the less, the French seemed to be still seeking a significant reduction in the number of Spanish trawlers allowed to fish in EEC waters, and a cut in the number allowed to fish together at any one time.

The Italian compromise had

suggested the overall figure as 300, and the figure for simultaneous fishing as 150. The alternative proposal was for a maximum figure of 250, and a lower figure of around 130. The gap could not be bridged.

The other problem on the fishing front is the saga of the Irish fish, on which Dublin is still fighting a rearguard action to keep Spanish fishing to a minimum in its coastal waters up to about 50 miles.

The compromise suggested total exclusion of Spanish boats for 10 years, and immediate access on the basis of the list of boats thereafter. Mr. Jim O'Keefe, the Irish junior Foreign Minister, held out for a much slower entry.

France still has concerns about agriculture, the quantity of Spanish wine which the European Commission would be empowered to buy in for distillation at a subsidised price, and the rate of reduction of the effective tariff wall keeping out

Spanish imports of fruit and vegetables.

Again, the gaps were narrow but, given the exhaustion of the negotiators, irreducible at least until next week.

Meanwhile, the negotiations with Portugal, hitherto much more straightforward, still leave problems to solve.

One concern is Luxembourg's insistence on extended controls over Portuguese workers coming into that country.

The outlook for next week's talks is much rosier than it was six days ago. The Foreign Ministers still have the power to effect a "standstill" to concentrate their minds: if they fail to agree, the terms by the end of the month, then the proposed enlargement date of January 1 1986 will probably be unattainable.

More than that, if they leave details like tomato paste tariffs and trawler numbers to their heads of government, they will be profoundly unpopular Ministers.

## EEC plans technology network

BY PAUL CHEESRIGHT IN BRUSSELS

THE EUROPEAN Commission yesterday launched an ambitious plan aimed at installing an EEC integrated wide band telecommunications network from 1992.

Within the scope of this aim the Commission is proposing a research programme, linking academic institutions, manufacturers and telephone authorities, called Research and Development in Advanced Telecommunications Technology for Europe—Race.

It is seeking funds from the Ten of Ecu 22.1m (£13.26m) to co-finance an Ecu 42.9m preparatory phase lasting 18 months from next July.

This would be the forerunner

of a more extensive research programme lasting five years to increase the EEC's technological competitiveness in the face of what is expected to be an overall EEC investment in telecommunications over the next 10 years of Ecu 150bn.

The Commission's move comes within the context of agreements reached in ministerial last year to work towards the progressive harmonisation and unity of the national communications networks in the EEC.

Research ministers will have their first look at the plan next June. This should provide the basis for settling the type of network needed and moving

towards technical harmonisation.

The research programme would be managed broadly on existing lines—to improve information technology activity across national borders.

Tenders for research projects are submitted within the broad framework of a work programme, and then vetted by committees of experts. Those accepted are funded 50 per cent by the EEC and 50 per cent by the participants.

The Commission's push for its programme has been made easier financially by the Foreign Minister's agreement reached on Thursday night on resolving the immediate budget crisis of the EEC.

## OECD 'satisfied with Austria'

BY W. L. LUTKENS

AUSTRIA'S overall economic performance is satisfactory, the Organisation for Economic Co-operation and Development (OECD) says in a report published today.

But it also incorporates outspoken warnings of longer-term problems as yet unresolved, including budget deficits, outdated industrial structures and the distortions caused by subsidies to industry.

The report notes that unemployment in Austria, averaging 4 per cent of the labour force last year, was well below average; that the external account is close to balance; and that merchandise exports have been increasing and are likely to continue to do so.

As usual, the report notes the

moderation of wage claims put forward by the Austrian trade unions.

A particularly sharp passage in the report says that it is important to ensure that the extensive system of subsidies and incentives to industry do not become counterproductive, lessening efficiency.

"Lack of transparency in the system of subsidisation, make it difficult to evaluate whether conditions on which government support was granted have been met." For this year, the total volume of subsidies and central transfers is given as AS62bn (£2.4bn) or 4.5 per cent of GDP.

Also on the negative side of the ledger, the authors note that the move towards increasing

high technology contents in Austrian industrial production has slowed down since the mid-1970s.

Among the possible reasons they list relatively low research and development expenditure, an insufficient supply of risk capital and government policy which, until recently, placed a priority on maintaining employment levels.

Innovative investment may also have been inhibited by the lack of risk-bearing capital, the report says. According to a sample survey of the central bank, company own funds (equity plus reserves) declined from 26 per cent of balance sheets in 1973 to 16 per cent in 1982.

The OECD forecasts

	1982	1983	1984	1985	1986
GDP	1,138.1	2.1	23	3	23
Exports of goods and services	463.6	4.3	14	5	7
Imports of goods and services	444.5	9.9	14	5	6
Foreign balance	18.8	-1.2	1	1	1
Consumer prices	3.2	3.2	3	4	4
Unemployment (% of labour force)	3.4	4.1	4	4	4

SOURCE: OECD

## Denmark faces national strike

THE DANES were yesterday bracing themselves for the severest labour conflict since the Second World War, when 300,000 workers either go on strike or are locked out from Sunday morning. Many Danes writes from Copenhagen.

The strikes will hit not only industry but also oil and petrol distribution and the power stations, and could bring the country to a complete halt eventually. The conflict is a result of the failure of the trades union council and the employers' association to reach a new central agreement on wages and working conditions.

Senior members of the four-party coalition Government meet today to discuss the situation, but the Government is not expected to intervene before the strike starts. Prime Minister Mr. Poul Schlüter announced that he has cancelled an official visit to Spain in Easter Week, which led to speculation that the Government may quit until then before it takes action to try to stop the conflict.

SAS, the Scandinavian airline, announced an emergency programme to switch international flights from Copenhagen airport to Swedish and Norwegian airports. With Stockholm's Arlanda Airport functioning as the SAS international traffic centre for the duration of the conflict, SAS said intercontinental flights will be cut by 50 per cent but there will be daily flights from Arlanda to New York and twice-weekly flights to Chicago and Los Angeles.

All Danish shipping will be stopped, except state-operated ferry services.

## South African white miners declare dispute

South Africa's 20,000 white gold and coal miners yesterday declared a dispute with the number of Mines, the employers' representative body, following a failure to agree on wage increases due to be implemented in May. The Council of Mining Unions the affairs of eight white mining unions had demanded a 20 per cent across the board wage increase. They had been offered 9.5 per cent, Jim Jones writes from Johannesburg.

Declaration of a dispute is a normal step in the collective bargaining process, Mr. John Liebenberg, the chamber's industrial relations adviser said. But this year's wage negotiations promise to be some of the most difficult for the chamber. Next month's negotiations start with the 450,000 black miners' representatives, who have already stated that a major demand will be for the early abolition of racial barriers to black advancement.

## Iraq claims air raids over Iran

IRAQ SAID yesterday its aircraft had attacked three Iranian cities and downed over the capital, Tehran, during Friday prayer meetings. Iran confirmed that attacks had taken place on Arak, Bushahr and Hamadan, but the military said ground fire had driven off the aircraft.

## Sri Lanka acts on bank work-to-rule

Special emergency regulations were introduced by the Sri Lankan Government yesterday to deal with a work-to-rule campaign by 18,000 employees in the major owned banks, the Bank of Ceylon, the Peoples' Bank and the central bank. The employees, who are demanding a 40 per cent wage increase, will risk dismissal without the right of appeal if they fail to resume normal duties.

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## BL moves three Unipart offshoots to Austin Rover

By John Griffiths

THREE components manufacturing companies with a total workforce of 2,000 are being transferred out of Unipart Group, BL's parts and accessories division.

The transfers are of the preparations for Unipart's privatisation, expected early next year.

The companies are Llanelli Radiator, South Wales, which makes mainly radiators, heaters and seat frames; Coventry-based Bean, which produces a variety of mechanical components; and Butee Electrical of Stafford, which produces electrical equipment, mainly for commercial vehicles.

The process of transferring them to Austin Rover Group Holdings, the holding company for BL's volume until the end of last year. However, in announcing its 1984 financial results on Tuesday, BL disclosed that the three companies had already been excluded from Unipart's results for the year.

Without the three concerns, Unipart made an operating profit of £14m, down from £16m in 1983.

BL does not break down the results of individual companies within the Unipart group, but in 1983 industry estimates are that the three companies made combined profits of about £2m.

The three remain under day-to-day control of Unipart Group managers, with Austin Rover expected to introduce its own management progressively. No significant changes are expected in the size of the companies' workforces or the nature of their operations.

The transfers formed part of a review of the operations of all the manufacturing companies grouped under Unipart's SU Butee division, with the intention that Unipart would retain only those businesses linked closely with its role as a

## Sainsbury to sell books for children

By Gay Firth

JOHN SAINSBURY, the supermarket group, will launch on Monday, an exclusive range of children's hardback books at more than 200 branches and all six Sainsbury Savacentres.

The authors of the 26 titles include John Burningham, Helen Oxenbury, and Nicola Bayley, whose books are already well known in the international children's book market. Several more are planned in the autumn.

They are published for Sainsbury by Walker Books, a company specialising in quality children's publications.

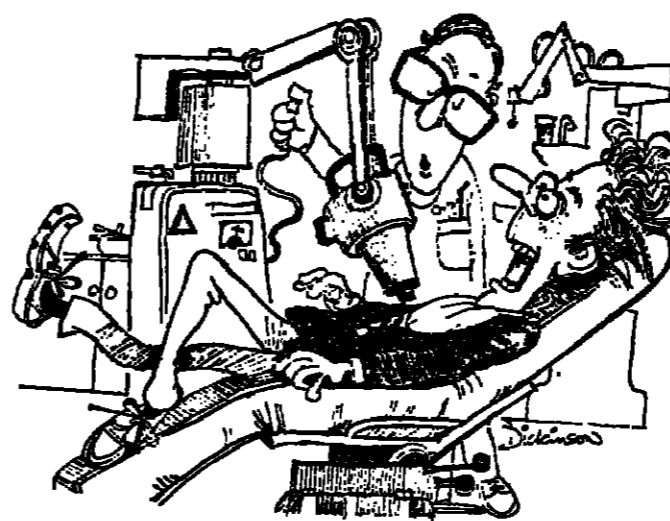
About 40 per cent of Sainsbury's 64m customers have children. Mr Michael Rosen, director of non-foods department, says: "This is probably one of the most innovative and comprehensive ventures seen in recent times in the high street."

"We believe the introduction of our new range will encourage book-buying." Since 1978, Sainsbury has sold more than 10m copies in its food guide and recipe book range of titles.

The children's range is divided into three recommended age groups: "Board books" for babies of six months to two years; "play and learn" titles for the two to five age group; and a "read me a story" series for four to six year olds.

## Richard Tomkins assesses the dental profession's view of higher treatment costs

### Why dentists are down in the mouth about charges



"Just to be on the safe side, I'll X-ray your wallet as well."

A VISIT to the dentist could become an even more painful experience from the beginning of next month.

The changes to National Health Service dental charges announced last week will bring increases averaging more than 25 per cent for those who have to pay for their treatment.

Dental charges have risen rapidly since 1979. Before then, the average cost of a course of treatment was £4.50. From April 1 it will be £18.50, an increase of more than 200 per cent in real terms.

The British Dental Association is incensed by what it sees as the placing of a financial barrier between patients and the treatment to which they are entitled.

"These charges are a discriminatory tax on dentistry," says Mr David Watson James, chairman of the association's general dental services committee which represents Britain's 16,000 NHS dentists.

"If we were to suggest that there should be an ear tax or a toe tax, you would laugh. So why should there be a tax on teeth?"

The answer lies in the popularity of the dental service following its inception as part of the NHS in 1948. At first it was free, but the demands on it so far exceeded the Government's estimates that in 1951 charges were introduced in an attempt to contain spending—first, just for dentures and then, a year later, for other treatment.

Since then—and particularly in the last six years—charges have escalated to the point where the underlying principle of free medical care for all hardly applies. Examinations are still free, but from April 1 patients who need treatment and have to pay for it will find themselves paying an average contribution of 60 per cent towards the full cost of the dentist's fees.

For routine treatments, such as fillings and extractions, patients already have to pay the full cost, but only up to a maximum of £14.50, after which

the NHS takes over. From April 1, the patient will have to pay the full cost up to £17 plus 40 per cent of anything above that.

But specific treatments such as crowns and dentures, the charges will rise up to 10 per cent. The maximum charge for any single course of treatment will rise from £110 to £115.

About 48 per cent of patients will not know the difference: children, pregnant women and nursing mothers, and those on low income, supplementary benefit or family income supplement get their treatment free.

So if the poor are protected and the rich can look after themselves, does it really matter if charges go up?

"More than half the dentate population (those who have some or all of their own teeth) don't have regular dental examinations and raising charges to these levels is certainly not going to encourage these people to seek treatment in the future," says Mr Watson James.

"But it's the people of modest means we are most worried about—particularly those just above the level of social security who are caught in the poverty trap."

To take a common example: a young man, aged 20, comes into my surgery with a toothache in a lower molar.

"To take it out will cost him £3.30. To save it I can carry out root canal therapy to remove dead or dying nerves for £26.50, and restore the hole in the tooth with a filling for £7.50. Total: £36.10.

"At present he would have to pay the maximum fee of £14.50 towards the cost of saving the tooth. Under the new system he will have to pay the first £17 plus 40 per cent of the balance, which makes £24.64.

"In other words, the cost to that young man of saving his tooth will rise by 70 per cent on April 1. The chances are that if he comes to me after that date he is going to tell me to take it out.

"Dentists are supposed to be preserving people's natural teeth, not removing them. The effect of these charges is to deprive proper dental treatment beyond the means of people in modest circumstances."

The Government is unmoved by such arguments. It says more money is needed from direct health charges—for dentistry, prescriptions and private hospital beds—to pay for growing health service spending. In any case, it says, there is no statistical evidence to prove that rising dental charges have deterred people from seeking treatment.

What really irks the British Dental Association is that while the charges act as a deterrent to those seeking dental treatment, in terms of their effect on the overall NHS budget they are trifling. They are forecast to contribute less than £220m to the coming year's planned NHS spending of £17.5bn.

"These charges have nothing to do with dental health and everything to do with taxation as a means of financing other parts of the NHS," says Mr Watson James.

"It would be perfectly possible to raise the money elsewhere. In our increasingly health conscious society the Government is already taxing cigarettes and alcohol heavily. In the same way it should be taxing the causes of dental disease, not its treatment."

"In my view, the answer is simple: tax sugar."

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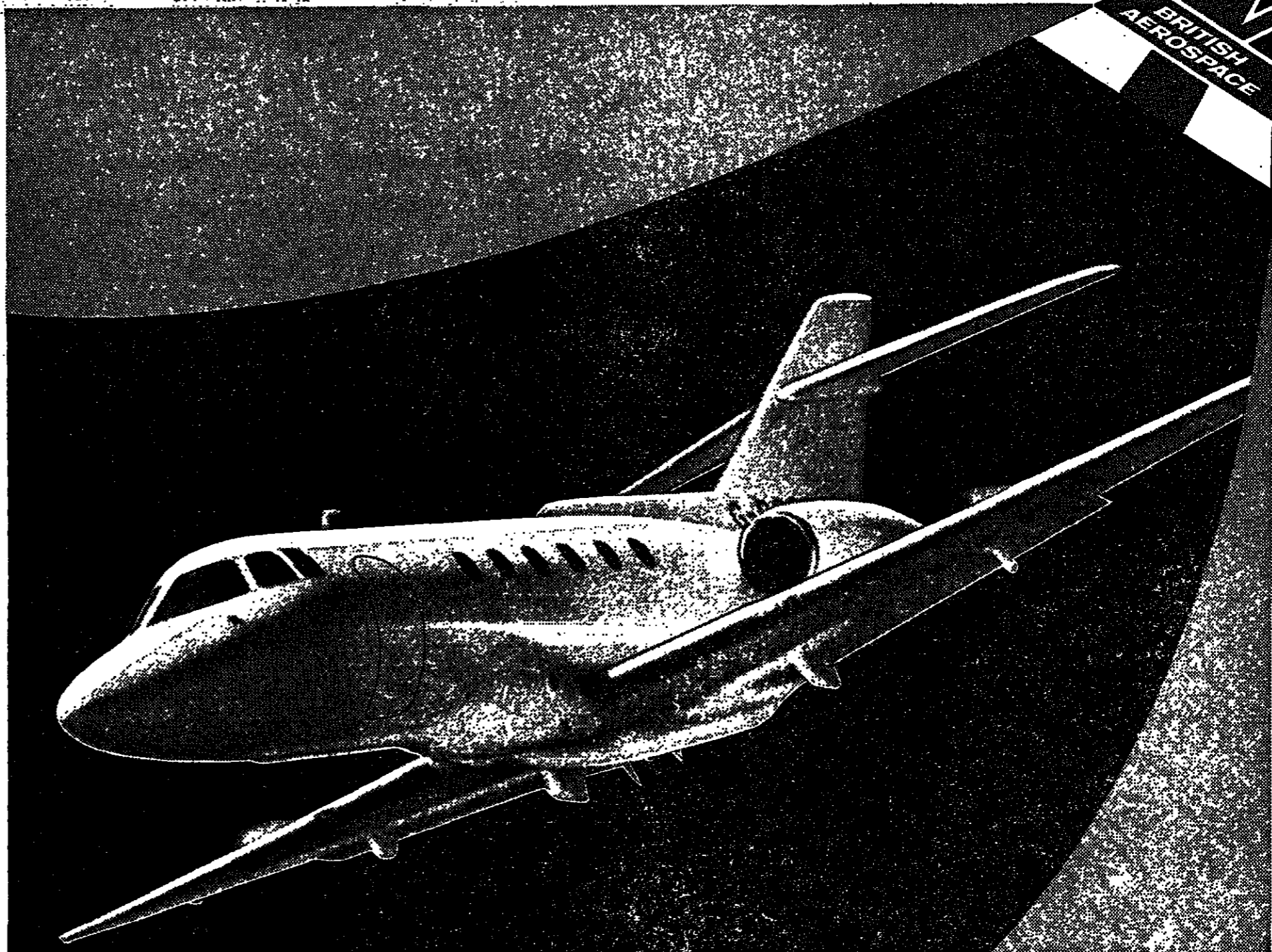
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## Orders rise in machine tool industry

By Andrew Fisher

THE MACHINE TOOL industry saw a further jump in orders in the three months to last December, the Department of Trade and Industry said. Total new orders rose by 27 per cent on the previous three months.

The upsurge of orders continues a period of improving business for UK machine tool companies.

Companies have changed their product lines, slimmed their labour forces, and re-thought their marketing strategy in the face of the downturn in orders and the onslaught of Japanese imports.

The weakness of the pound has also aided manufacturers' exports. New export orders were 28 per cent higher in the three months, with a 25.5 per cent increase in domestic orders, according to figures in the Department of Trade's publication British Business.

Total orders-on-hand for the machine tool industry at the end of December were 28.5 per cent up on end-September with a 36.5 per cent rise in exports.

Actual sales to export markets were down in the fourth quarter by 6.5 per cent and fell on the home market by 4 per cent, but are expected to show renewed growth. All figures for the industry are seasonally adjusted.

NEW ORDERS for the engineering industries dropped 2.5 per cent in the fourth quarter of last year compared with the third quarter. The level of new home orders was stable, but export orders were down 7 per cent, according to Department of Trade and Industry statistics.

However, trends in the various engineering sectors diverged widely. Total new orders for the mechanical engineering sectors were 4.5 per cent lower in the fourth quarter than in the third quarter, as a result of a 10.5 per cent slide in the home market offset by a 6.5 per cent rise in export markets.

## U.S. group fails to block award

By Raymond Hughes

AN ATTEMPT by a U.S. company to have an arbitration award set aside or declared void because, it alleged, the umpire and one of the arbitrators had an interest in the dispute, has been rejected by the Commercial Court.

Dismissing a claim by Cook International, Mr Justice Leggatt said neither Mr Anthony Scott, the arbitrator, nor Mr Michael Meadows, the umpire, had a pecuniary interest. There had been no bias, or even appearance of bias, in the conduct of the arbitration.

In the arbitration an award, subsequently confirmed by the board of appeal of the Grain and Feed Trade Association, had been made by Mr Meadows in favour of a Dutch company in liquidation called Jean Delvaux.

Cook subsequently discovered that a big creditor of Delvaux was the Swiss Andre et Cie group and that Mr Scott was a director of an Andre subsidiary.

Another Delvaux creditor was the Dreyfus group, for a subsidiary of which Mr Meadows was claims manager.

The judge rejected Cook's contention that Mr Scott and Mr Meadows had been disqualified from acting under the GAFTA rules by their "interest" in the transaction between Cook and Delvaux because of the debts owed by Delvaux to companies in the Andre and Dreyfus groups.

Neither man had known of those debts and did not have the kind of "interest" envisaged by the rules.

## Mothercare to create 200 jobs

MOTHERCARE, the baby products group subsidiary of Habitat Mothercare, is to create 200 jobs at a distribution centre to be built at the enterprise zone in Wellesborough, Northants.

## ECONOMIC DIARY

MONDAY: EEC Agriculture Council meets in Brussels (until March 27). FT Conference on private health care at the Hotel InterContinental, W1 (until March 26). National Union of Mineworkers Nottingham area council meets. Commons Budget debate ends.

TUESDAY: Balance of payments current account and overseas trade figures (February). British Aerospace preliminary figures. Mrs Margaret Thatcher meets unemployed young people from Merseyside at 10 Downing Street, SW1. Start of two-day meeting of Nato nuclear planning group in Luxembourg. EEC Industry Council meets in Brussels. Air France cabin crews start three-day strike over emergency exists.

WEDNESDAY: New construction orders (January). EEC Economic and Social Committee in plenary session in Brussels (until March 28). TUC General Council meets.

THURSDAY: Personal income expenditure and saving (fourth quarter). Industrial and commercial companies appropriation account (fourth quarter). New vehicle registrations (February). Energy trends (January). Employment and earnings by industry (January detail). Unemployment and unfilled vacancies (February detail). Opac oil ministers hold extraordinary conference to review enforcement of production limits.

FRIDAY: European Council holds summit meeting (until March 30). Arts Council statement on regional funding.

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## UK NEWS

## Societies put one point on mortgages

By Margaret Hughes

THREE of the five big building societies confirmed yesterday they would be increasing mortgage rates by 1 percentage point and investment rates by three quarters of a percentage point.

The rates will apply immediately to new borrowers, will start paying the revised rate on April 1, the day the investment rates come into effect.

The basic mortgage rate of Britain's largest society, the Halifax, will be 14 per cent. This will be charged on mortgages of up to £25,000. The next mortgage band up to £60,000 will be 14.5 per cent and all loans above that will cost 15 per cent.

The Halifax considered increasing its mortgage rate by more than 1 percentage point to ensure adequate margins. Its board decided against this, it said yesterday, "in order to limit the impact on existing borrowers."

Nationwide and the Woolwich, which charge the lowest rate and the same rate irrespective of the size of the mortgage, will charge 13.75 per cent. Their investment rates will also rise by three-quarters of a percentage point.

Two other leading societies, the Leeds and Abbey National, will announce rates next week. Currently they charge the same basic rate as the Halifax but have different thresholds and rates for larger mortgages.

The rise of three-quarters of a percentage point in the investment rates raises the ordinary share rate to 8.25 per cent net of basic rate tax, equivalent to 11.79 per cent gross. The Halifax and Nationwide seven days' notice accounts will pay 9.5 per cent.

The Woolwich instant access Prime Account will pay a higher rate of 9.75 per cent (13.92 per cent gross), the same rate as the Halifax and Nationwide will now pay on their 28 days' notice accounts. The Halifax and Nationwide 90 days' notice accounts will pay 10 per cent net (14.28 per cent gross).

Nationwide also announced that following the relaxation of the limits imposed on the maximum investment which can be held in any one building society, individuals will be able to hold up to £250,000 in the society. Previously the limits were £50,000 for an individual and £50,000 for a jointly held account in each society.

## Inmos curbs working time

INMOS, Anglo-American microchip venture, is taking an extended Easter shutdown and halting full-time weekend working at its Newport plants, South Wales, because of the sharp fall in international semiconductor demand.

The recent severe weakness in the market for memory devices has already forced the company to lay off 7 per cent of staff at its U.S. production facility at Colorado Springs.

In a statement the company stressed it would continue to develop products to make it less exposed to extreme market cycles.

## Stock Exchange chairman opens reform campaign

BY GEORGE GRAHAM

SIR NICHOLAS GOODISON, chairman of the Stock Exchange, began his campaign yesterday to win support for reform of its membership structure.

Senior partners in stockbroking and stock jobbing firms met to hear him describe the proposals published this week.

Members attending the meeting said they had not had enough time to study the proposals. Smaller broking firms did not use the meeting to air their criticisms.

"It was just a waste of time, frankly," said one partner in a small firm.

The plan requires firms to hold 50 shares in the Stock Exchange, though small firms may seek dispensation to hold fewer.

Firms with fewer than 10 partners complain that they will either have to tie up capital in more shares than they need, or seek a dispensation from the Stock Exchange Council, which could be revoked at any time.

The principle on which the structural changes hinge, relaxation of rules limiting outsiders to 29.9 per cent holdings in Stock Exchange firms, is to be put to a members' meeting on June 4.

confirmed at yesterday's meet-



Sir Nicholas Goodison: Membership changes

Sir Nicholas confirmed at the meeting that the vote, which requires a simple majority, would include provision for proxy voting.

Proposals which require changes to the Stock Exchange Deed of Settlement need a 75 per cent majority at a subsequent meeting.

Sir Nicholas will travel round the country in May to discuss the plan with Stock Exchange members in regional centres. A similar meeting is expected for members in London.

## Satellite TV group seeks talks with BAE

BY RAYMOND SNOODY

LORD THOMSON, chairman of the Satellite Broadcasting Board, which has not yet been formally set up, has written to Mr Leon Brittan, the Home Secretary, asking for permission to hold direct negotiations with British Aerospace to buy satellites for direct broadcasting by satellite.

The move marks the effective end of United Satellites, the joint venture company of British Aerospace, British Telecom, GEC-Marconi which the Government helped to set up to provide a complete satellite system for broadcasters.

Unisat, it is believed, has already spent about £50m on the project.

A DBS consortium, comprising the BBC, the 15 independent television companies and five non-broadcasting organisations led by Thorn-EMI, has told the Satellite Broadcasting Board it cannot afford Unisat prices.

The Unisat quote for a two-satellite system, with the launch of the second satellite after three years, was more than £500m.

Lord Thomson told Mr Brittan the talks with Unisat were nearing an end and the DBS consortium wanted to explore the possibility of buying direct from British Aerospace to try to reduce the price. The consortium now believes the only way to make the project viable

is to cut the cost by taking a larger share of the risk and operate the system itself.

Lazard Brothers, the merchant bank, is drawing up a financing plan for satellite purchase.

First indications are that this might make a profitable business possible. Projections for return on capital work out at 15.6 per cent. However this is a conservative figure which does not include advertising income or tax savings.

It is believed informal talks have already taken place between Lord Thomson and Admiral Sir Raymond Lygo, managing director of British Aerospace.

Lord Thomson, who is also chairman of the Independent Broadcasting Authority, said this week that up to 20,000 jobs might ultimately be created in the UK by a successful DBS project.

However he warned "it would be an own goal to insist on a buy British policy," unless the UK aerospace industry could provide DBS at the best price available.

News International, the UK arm of Rupert Murdoch's publishing empire, has been having talks with M Jacques Pomonti, head of the French DBS project. News International has been talking about taking a stake in the company which will operate the TDF 1 and TDF 2 satellites.

## ITV studies European cable channel

By Raymond Snoddy

THE independent television companies are considering creating a live 18-hour-day Super Channel for cable television networks all over Europe.

The Super Channel would have the choice of the best of the ITV and Channel 4 and would include live transmission of TV-am, the commercial breakfast programme and the news programmes of Independent Television News.

The more parochial—or dull—programmes would be replaced with library material.

The Super Channel day would be split up into segments of programming to attract specialist advertising. The segments running would be, breakfast, leisure and children from 6.25 am to 3.30 pm followed by drama, entertainment, news, sports and late night programmes.

A coloured brochure on the service says: "The ITV Super Channel is designed to provide cable operators throughout Europe with a unique opportunity to offer their potential subscribers an exclusive entertainment channel based on British ITV's successful daily schedule."

Mr Jeremy Taylor, cable and satellite executive of Central Independent Television, the Midlands ITV company and Mr Rod Allen, controller of development at London Weekend Television have been investigating the concept and producing a business plan for the ITV companies.

Super Channel has already been registered as a company name and the decision on whether to go ahead will be taken by the Council of the Independent Television Companies Association (ITCA) in May.

European cable operators have expressed interest in the concept and first indications suggest the possibility of a viable business.

If the go-ahead is given, the aim would be to have Super Channel distributed by the ECHS satellite from 1996.

Super Channel will be judged purely as a business opportunity by the ITV companies but it also offers several strategic advantages. Some senior ITV executives are worried that Rupert Murdoch's Sky Channel, the advertising based general entertainment channel, has been given too much of a free run in Europe.

The ITV companies believe access to quality programming and close ties with major advertisers through their UK businesses might give them a decisive advantage over Sky.

The project would also give the ITV companies an important foothold in the new medium, should the direct broadcasting by satellite project in the UK fail to get off the ground.

If the Super Channel project starts it will probably include Thames Television. Thames was planning a European cable channel of its own but has put the project "on ice" to await the outcome of the ITCA plan.

A separate Super Channel operating company would be set up and rights to use library material would have to be negotiated with the performing unions.

Rowntree savours the sweet taste of success, reports Tony Jackson  
Kit Kat marks 50 years without a break

IT IS Kit Kat's 50th birthday. This modest little confection—half chocolate bar, half biscuit—has come a long way since 1935. Its owner, Rowntree Mackintosh, makes it in six countries and licenses it in two others. Last year world retail sales totalled more than £300m.

One of the remarkable things about the big brands in the chocolate business is their durability. Under the name of Chocolate Crisp and at a price of 2d (just under 1p), Kit Kat stole on to the market in London and the South-east in August 1935. However it was entering a market already dominated by venerable inhabitants. Cadbury's Dairy Milk was 30 years old. Cadbury's Milk Tray—the original box of chocolates—was 20.

For Rowntree, Kit Kat's arrival was part of a remarkable burst of innovation. In 1933, the company launched Black Magic. In 1935, within five weeks of the Kit Kat launch, Aero made its debut. The next year saw the arrival of Dairy Bar and a year later came Smarties. The company was blessed at the time with a quite remarkable marketing department; its head, Mr George Harris, became chairman in 1941 and held the post for 11 years.

Chocolate Crisp—"the biggest little meal in London," said the advertisements—became Kit Kat Chocolate Crisp in 1937. Four years later, during the war, the name was shortened to Kit Kat, there being no milk available for milk chocolate. The full name was reinstated in

## WISPA TO BE SOLD IN U.S.

WISPA, Cadbury Schweppes' popular new chocolate bar, is to be made in the U.S. in the next few months, in preparation for a U.S. launch.

Cadbury Schweppes is spending \$25m to \$30m (£21m to £26m) on re-tooling its Hazleton, Pennsylvania plant to make Wispa, according to Wood, Mackenzie, the Edinburgh-based stockbroker.

Cadbury executives were unavailable for comment yesterday. According to U.S. trade publications, Cadbury has moved Wispa into the

upstate New York market after a successful test in New England last autumn.

Advertising Age, the U.S. advertising industry magazine, reports that Wispa will be in full distribution in New York, Pennsylvania and New Jersey by the end of this year.

Wispa was introduced in the UK last year and Cadbury Schweppes says that sales are running at £50m to £100m a year, making it one of the most successful launches in UK confectionery.

Although big chocolate brands enjoy a lease of life which can only be ended by most other consumer industries, there is a curious paradox about the market. It might be thought that since Dairy Milk came upon the scene 30 years ago, every variation on a simple chocolate theme had been done to death. However, the British consumer, though loyal to old favourites, can produce surprising bursts of enthusiasm for new formulations.



Mention of the Yorkie Bar can still produce nervous twitches at Cadbury headquarters. This was the simple block of milk chocolate with which, in the late 1970s, Rowntree made deep inroads into the market share of Dairy Milk. The even more dramatic success of the Wispa chocolate bar might be dubbed Cadbury's Revenge, encroaching as it does on Aero.

The resilience of the old brands remains. For Dairy Milk and Aero, the temporary setbacks seemed nothing more than lapses of attention on the part of their owners. In such cases, a quick reformulation and relaunch saved the day. For the British chocolate eater the old ideas still seem the best ones.

## Zero inflation 'still Tory aim'

BY IVOR OWEN

MR NORMAN TEBBIT, Trade and Industry Secretary, last night reassured doubters on the Conservative backbenches in the Commons who believed the Government has abandoned the objective of achieving zero inflation.

He told the annual meeting of his Chingford constituency party. "The heart of our strategy has always been the reduction and elimination of inflation, because inflation destroys jobs and holds back our economy. That remains our prime objective today."

Defending the Budget, Mr Tebbit acknowledged that the

Government had come under increasing pressure to pump money into the economy in order to reduce unemployment, even if it resulted in higher inflation.

He accepted that in the short term this action might indeed bring unemployment down—but in the longer term nothing could be more disastrous.

Mr Tebbit insisted inflation was not an alternative to unemployment, but one of its principal causes.

Mr Neil Kinnock, the Labour leader, speaking at Derby claimed the Government's econ-

omic policies had hit essential items in the average household budget harder than that of any previous administration.

He maintained that the Government was enforcing its policy by squeezing jobs and cutting support for public services.

Mr John Moore, Financial Secretary to the Treasury, told a Conservative meeting at Kettering that the higher thresholds introduced in the Budget meant that 160,000 fewer people would pay tax at the higher rates.

Only those with incomes of at least £18,000 would pay tax above the 30 per cent basic rate.

## Ministers visit Dublin for talks on Ulster

BY BRENDAN KEENAN IN DUBLIN

SIR GEOFFREY HOWE, the Foreign Secretary and Mr Douglas Hurd, the Northern Ireland Secretary, visited Dublin yesterday for talks with Dr FitzGerald, the Irish Prime Minister and senior members of his Government.

It is clear the discussions centred on efforts to achieve political progress in Northern Ireland, although no details were given. The presence of Sir Geoffrey, and the appointment this week of Mr Christopher Patten, a junior minister in the Northern Ireland Office, to initiate discussions with the political parties in Ulster, is proof that the Government is trying seriously to reach an agreement.

The two UK ministers met Mr Peter Barry, the Irish Foreign Minister, and Mr Dick Spring, the deputy Prime Minister, for formal discussions before Dr FitzGerald joined them.

The Government has clearly rejected the view that it should hold off until after the May Northern Ireland local elections.

Ministers argue it is always possible to find excuses for doing nothing in Ulster but Mr Hurd is determined to pursue the so-called "twin track" approach, which involves seeking an increased role for the Irish Government while trying to nudge the Ulster parties towards an agreed administration.

Stephanie Gray adds: Dr Garret FitzGerald, the Irish Prime Minister, last night hailed efforts by Ireland and Britain to resolve the problems of Northern Ireland as a move of great significance that "may, in time, be seen to transcend the shores of these islands."

Speaking at the annual budget banquet of the Diplomatic and Commonwealth Writers' Association, he said a new approach was being made that required the accommodation of both sides in the North on an equal footing. It also needed acceptance that a change in the constitutional status of the area, involving a transfer of sovereignty, could not and should not take place without the consent of a majority of the people of Northern Ireland.

## Heath urges no politics in famine aid

By Ivor Owen

ABHORRENCE of the nature of some political regimes in Africa must not be allowed to stand in the way of adequate aid for the victims of famine in Ethiopia and other areas, Mr Edward Heath, the former Prime Minister, said in the Commons yesterday.

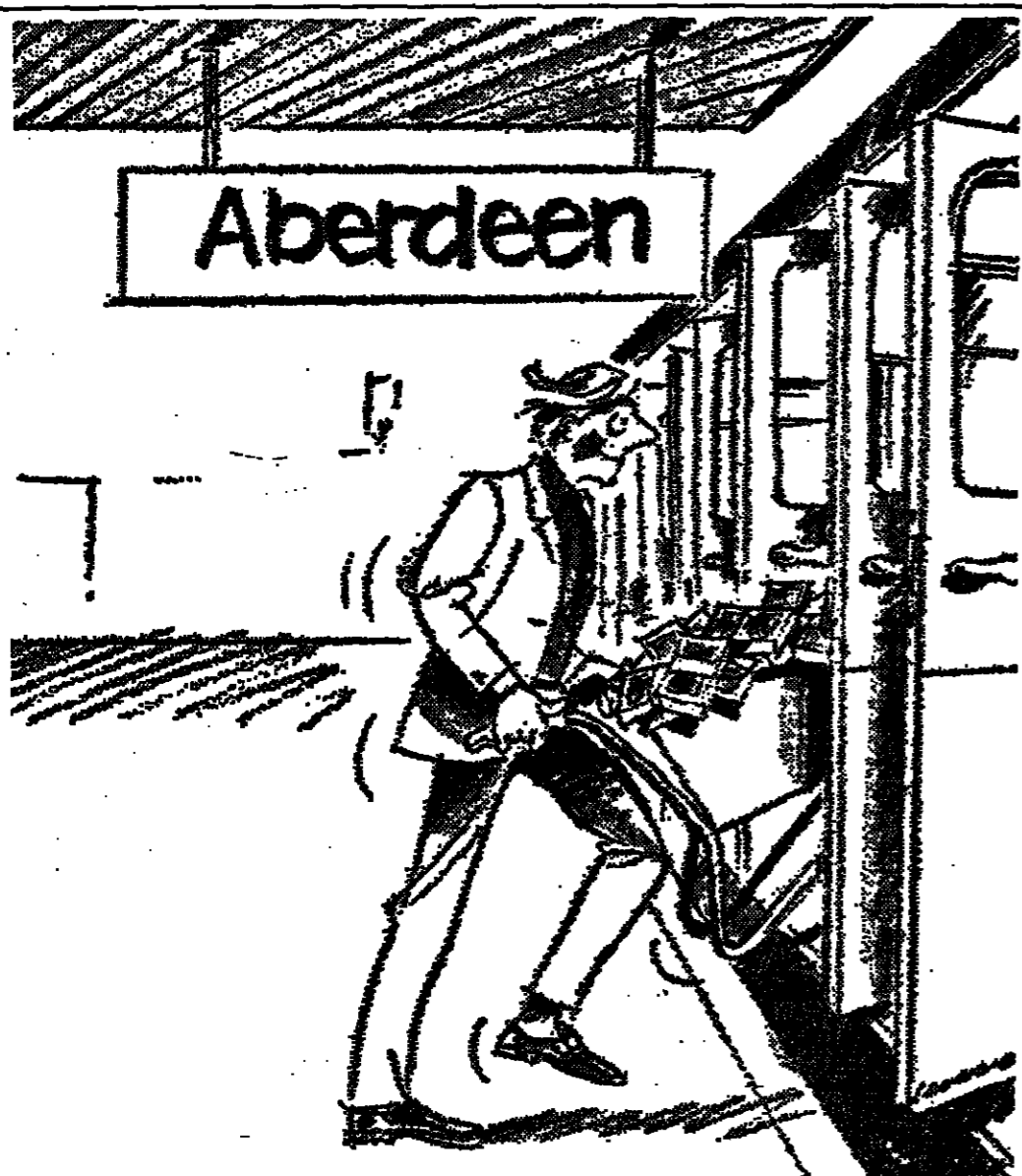
He called on the Government to take the lead in persuading Europe and the U.S. to operate an developing international aid to ensure people in the sub-Saharan belt of a long-term future.

Mr Heath praised Government efforts in raising an effective contribution to ensure that food reached the starving in Ethiopia, but urged it to assume an initiating role in promoting aid for the under-developed countries, rather than wait for a particular crisis.

He reminded critics of the Ethiopian regime contrasting famine conditions there with export of exotic foods to the London market that most under-developed countries had to raise money in any way they could to meet crushing interest and debt liabilities.

In many cases richer countries should be in a position to convert loans they had made to the poorest 30 countries into grants.

Mr Timothy Raison, Minister for Overseas Development, said that the financial year just ending the Government committed more than £100m to relief funds for Africa.



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## GEC likely to win contest for Yarrow warship yard

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE NEW OWNER of the state-owned Yarrow warship yard on the Clyde is expected to be announced next week, with General Electric likely to be successful in the bid contest with Trafalgar House.

Trafalgar, which last year bought the loss-making Scott Lithgow offshore rig yard, and GEC have been the only companies in the running. The yard is expected to fetch about £30m. Yarrow, part of British Shipbuilders, makes a profit on its large naval contract. The present order-book is well over £400m, mostly consisting of frigates for the Royal Navy. It employs 5,300 people.

BS has given to the Government the name of its preferred bidder, believed to be GEC, for consideration by Mr Norman Tebbit, Secretary of State for Trade and Industry. GEC already has extensive interests in defence equipment.

Bids for Yarrow, and for the other warship yards being sold under the Government's privatisation policy, are being handled by Lazards, the

merchant bank.

A key point in the bid negotiations for Yarrow has been who would pay for any possible redundancies, although none of the bidders have announced plans for the workforce. An earlier management buy-out attempt foundered on lack of support from the workers.

BS's own redundancy scheme has been extended to 1986. It is not clear whether BS or the new owners would have to meet the costs of job cuts. Yarrow has not had any job losses in the recent slimming of the BS labour force, but one potential buyer is thought to have discussed cuts of several hundred jobs.

Swan Hunter, on the Tyne, now concentrating on naval work but formerly also a merchant ship builder, is likely to be put up for sale in a few weeks. Preparation for a possible management buy-out began last year.

Also being prepared for sale are the big Vickers submarine yard at Barrow-in-Furness, Vosper Thornycroft in Southampton, and Cammell Laird on Merseyside.

## Shell cuts oil products prices

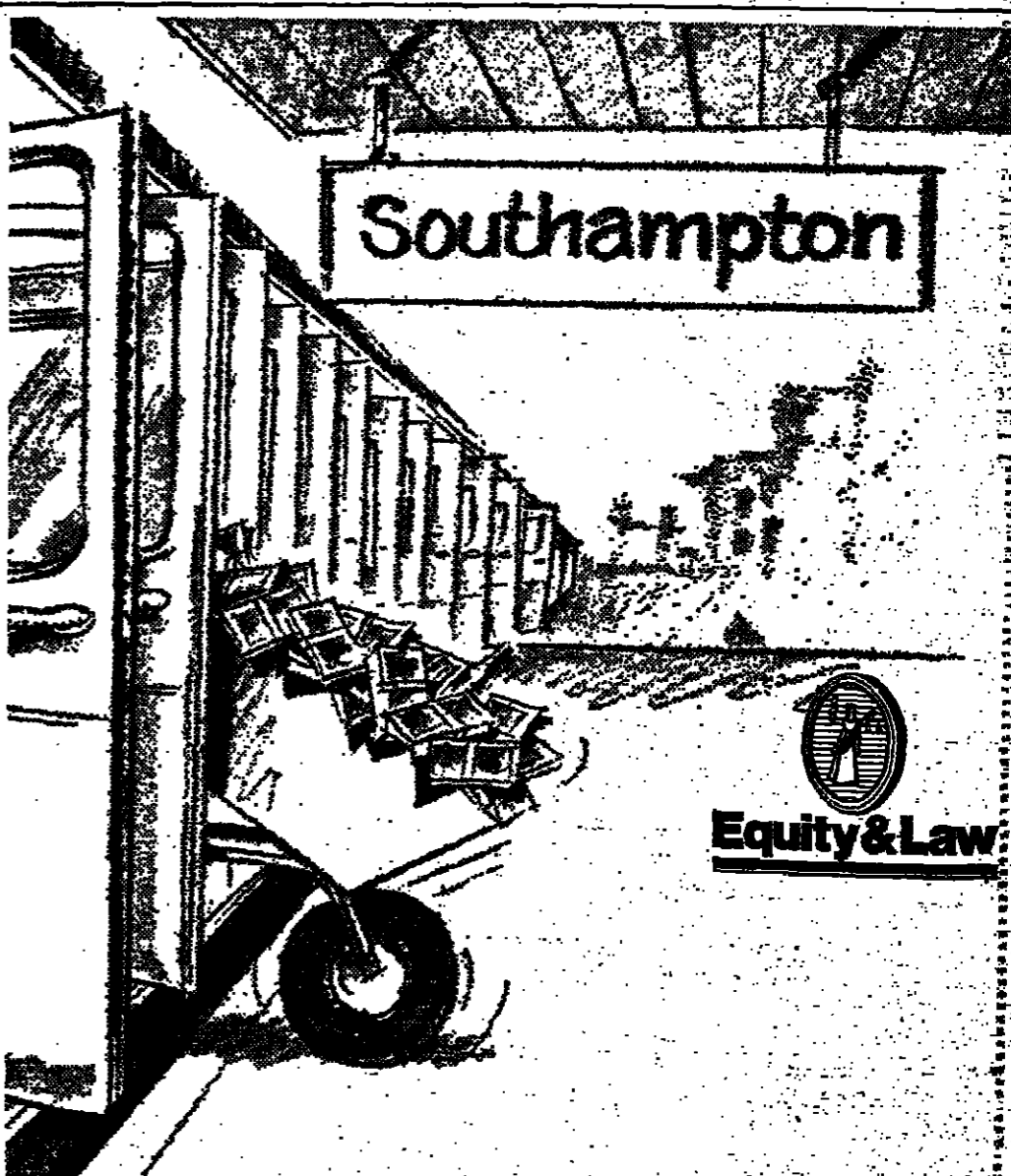
BY DOMINIC LAWSON

SHELL is to reduce its prices on a range of oil products. Fuel oil is to be cut by 1.5p per litre, and gas oil and derv for commercial customers will be reduced by 0.5p per litre.

Shell's announcement closely follows a similar move by Esso. Since the two market leaders have moved, the rest of the oil industry is certain to follow. Both Shell and Esso give as their main reason the recent rapid strengthening of the pound against the dollar, the

currency in which oil is bought and sold.

However, neither Shell nor Esso was willing to reduce the price of petrol at the pumps, which has risen from about 186p a gallon at the beginning of February to a current price of up to 20p per gallon. Even at the lower sterling/dollar rate two weeks ago, the larger petrol retailers were making money, but they are clearly trying to reduce petrol prices as their costs fall.



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# NUM voting could reject 50p levy

BY JOHN LLOYD AND ROBIN REEVES

THE EARLY indications on the voting on the National Union of Mineworkers' recommendation to impose a 50p weekly levy to support sacked miners point to a potential majority against the levy.

Miners' leaders in a number of left-wing areas were pessimistic of a majority in the ballot, which closed yesterday. The vote will be counted by the Electoral Reform Society today. In Yorkshire, the biggest area, miners in the north and south of the coalfield were thought to have voted against the levy; the militant Doncaster field is thought to have voted for the Barnsley area believed to be evenly split.

The union's white collar section Coss is thought to have registered a very high vote against, with some estimates reaching as high as 90 per cent. The levy has been called for under the NUM's rule 33, which lays down that such a levy must be "submitted to the membership for approval." However, the Nottinghamshire and South Derbyshire areas have refused to participate, and have received legal advice suggesting that it could be challenged in court. Pit managers have reported

WORKING MINERS in South Wales had been unable to produce evidence linking the South Wales NUM to continued harassment of those who worked during the pit strike, the High Court was told yesterday, writes Raymond Hughes.

Mr Jeremy McMullen, for the union, said that the working miners now agreed to injunctions banning the union from organising mass picketing at five South Wales pits being closed.

When the union first applied two weeks ago to have the injunctions lifted, the working miners asked for time to investigate whether the union or its officers were behind crowds of people, many of them women, who were still shouting abuse at those who had worked during the strike.

Lifting the injunctions, Mr Justice Scott said they had served their purpose of protecting working miners during the strike. Now the strike was over it was right they should be discharged.

Men have worked against the most arduous geological conditions for many years and knew the difficulties of making any worthwhile recovery in the circumstances facing their colliery.

But Mr Glyn Jones, South Wales leader of the pit deputies' union, Naodis, has claimed the closure move is in breach of its agreement with the NCB.

The union's national officials are due to discuss Bedwas this weekend.

In yesterday's miners' vote, only about 40 of the colliery's 565 men are said to have backed their lodge committee's recommendation to try to fight to keep the pit open.

The NUM meeting decision followed three days during which local NCB officials had interviewed 429 men individually to spell out their voluntary redundancy and transfer terms.

About 60 per cent of those interviewed opted for voluntary redundancy, cheques ranging from £5,000 up to nearly £37,000. Those opting for transfer get payments of up to £1,550 depending on length of service. They will go to five other collieries within a 15 mile radius.

But there was no formal closure announcement, reflecting the confusion which exists over the colliery review procedure because the miners' strike ended without an agreement.

Mr Cliff Davies, South Wales deputy-director (mining) said yesterday that there had been discussions about the problems of Bedwas Colliery over a long period.

He stressed that it was crucial for the leadership of the union to be committed to its success and to improving productivity.



Mr Peter Walker: "I don't want a weak NUM"

## Walker urges leadership change

BY PETER RIDDELL, POLITICAL EDITOR IN NEWCASTLE

MR PETER WALKER, the NUM Secretary, yesterday appealed to rank and file miners to change the leadership of the National Union of Mineworkers at forthcoming local and regional elections.

Speaking to Conservative local activists at the party's Central Council meeting in Newcastle, Mr Walker urged a change in the NUM's leadership to people committed to the success of the industry.

He said, "I do not want a weak NUM. I want a strong union whose objective is for that industry to succeed."

The Government is hoping for a shift over the next couple of years in the political balance of the NUM leadership, both on the National Executive and at area and local level.

Ministers also do not want Nottinghamshire to split off but hope that the voice and votes of that area, with its majority of working miners, will help to shift the NUM nationally away from the influence of Mr Arthur Scargill, NUM President, and his allies.

In his speech he said he didn't believe the NUM leadership would succeed in having

a national strike again without a ballot.

He added he was looking to miners to take command of the union at local and regional level to see that their leadership are people determined the industry would succeed.

Mr Walker added that if miners did that they would receive the enthusiastic backing of the National Coal Board and certainly also of the Government.

## Why unions are toeing the line on balloting

THE Government's writ issued yesterday against the Civil and Public Services Association is unusual not just because it is the first time the Government has used the pre-strike ballot provisions of its 1984 Trade Union Act, but also because such action is becoming increasingly unnecessary, whatever they say, what unions are doing is complying with the law.

Even though there have been few cases so far brought under the Act, their message—particularly that of the Austin Rover dispute last year, when the transport union was fined £250,000 for contempt—has been clear, and other unions have learnt it quickly.

The TUC is still going through an agonising exercise of worrying whether it should shift from its policy of blanket opposition to the Government's labour laws. Important though this is, its value as a barometer of real opinion must be open to question: one left-wing union official said yesterday his union would continue to insist on formal opposition in line with all eight points of the 1982 Wembley conference resolution on union law, even though his union was already reshaping many of its practices to comply with the law.

Events on the ground may be moving too quickly for the TUC and in the wake of the outcome of the miners' strike, where the failure to hold a ballot is now increasingly recognised even on the left as being a decisive importance, few unions are willing to risk not holding a ballot.

The range of voting procedures in the Civil Service unions over their planned one-day strike on April 1, followed by a programme of selective action, illustrates how far the unions are moving, despite the TUC's stance.

● CPSSA. The clerical-grade civil servants' union, led by an executive with a high proportion of Militant Tendency members, has been willing to risk not holding a ballot: the result

## Philip Bassett on the background to the writ against the CPSSA

was yesterday's Treasury writ. Throughout the joint pay campaign planning meetings with other Civil Service unions, other union leaders have noted the CPSSA's apparent lack of organisation over the mooted strike, and the insistence of some of its militant leaders of their intention to defy the law.

This took practical form at a meeting of the union's Civil Service executive committee, which despite the strong advice from CPSSA officials, voted 8-7 not to ballot. This tight vote was strengthened at a meeting last week of the union's full executive, which voted 14-4 to hold no vote.

Leaders of other unions were scattering that the CPSSA left had thrown away the opportunity of opposing what all the unions saw to be a poor and ill-judged 3.9 per cent pay offer from the Government: they accuse the CPSSA of presenting the Government with a stick with which to beat them, and further advance a divide-and-rule strategy.

CPSSA left-wingers insist that they are sticking by union and TUC policy; right-wingers note that if they heed the expected High Court injunction, the union's left will be able to cover their poor organisation by blaming the union leadership, the Government and the courts.

Among the members, the result has been confusion: branch meetings have been held, but not ballots. The result of often loosely-organised branch meetings (so far, only about 40 out of 1,000) was running at about 5-3 in favour of the action.

● SCPS. Despite their union's national decision, many CPSSA branches have been obtaining and then altering the ballot papers distributed by the middle-grade Society of Civil

and Public Servants.

Though the SCPS's left leadership is often charged with marching ahead of its executive-grade members, this year the union has tried hard to consult, arranging up to 1,000 workplace meetings on pay, and even postponing the expected ballot until January 20.

The union's policy is firmly to oppose the Government's labour laws: its ballot paper, noting in line with the 1984 Act that "as is usual with any strike or industrial action, this could involve a breach of your contract of employment," shows a clear practice of compliance.

● IRSF. Members of the traditionally well-organised Inland Revenue Staff Federation have produced a high turnout—perhaps more than 80 per cent—though with a result (some votes still to come in) looking too close to call.

The IRSF has probably done most to comply with the law. Its ballot paper gives the clearest legal warning, asking members whether they agree to strike and take further action "notwithstanding the fact that this will involve you in a breach of your contract of employment."

Ballot papers were sent out for distribution to office secretaries, with voting times spread over the fullest extent of flexible working time, and two scrutineers appointed locally to oversee the count of each office result.

A very tight vote, even on a high poll, will be a problem for the union's leaders.

## Right fears election split over AUEW succession

BY BRIAN GROOM, LABOUR STAFF

MR ALEC FERRY, the widely respected general secretary of the Confederation of Shipbuilding and Engineering Unions, is set to stand for the presidency of the Amalgamated Union of Engineering Workers in the forthcoming election to find a replacement for Mr Terry Duffy who retires in September.

Mr Ferry's candidacy will further split the voting strength of the right and centre and a growing number of officials believe that Mr John Tocher, the left's candidate, could top the first ballot.

The chances of an eventual left victory still remain extremely slim but a number of other elections are pending in the union and a good showing in the presidential campaign may help boost the left's chances.

The main presidential candidate of the right is Mr Bill Jordan, the Birmingham divisional organiser, but some members of the 10-man executive are likely to lead more support to the campaign of Mr Gerry Russell the executive member for the North-west and Ireland. Mr Ferry however is expected

to attract the support of many local officials.

The left vote has been holding up well in recent elections and Mr Derek Simpson the left-wing Sheffield District Secretary is tipped to win the forthcoming executive election for the Division 5 seat covering South Yorkshire and the East Midlands.

The Division Four seat—covering the West Midlands and North-west—could also move left and left-control of the small construction section of the union is expected to be reflected in the election for a replacement for Mr John Baldwin, the construction secretary.

All this is unlikely to lead to a left-dominated AUEW but the past five years of almost total right-wing control of the executive and the union's overall leadership may be on the way out.

● The ballot for the AUEW Foundry national secretary—following the retirement of Mr Bob Garland—may have to be run again after allegations that one candidate, Mr Jim Shaw, broke the rules by canvassing.

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## Dollar worries

## NEW YORK

WILLIAM HALL

AFTER ITS sharp fall in the first two weeks of March, Wall Street began to recoup some of its losses this week, but the stock market remained in a volatile mood as investors tried to interpret the impact of the sharp fall in the dollar and the weaker economic numbers coming out of Washington.

Shearson Lehman Brothers, the big brokerage firm owned by American Express, remains optimistic, noting that mid-February through March is normally a seasonally weak period in the stock market. Investors often withdraw money ahead of the April 15 income tax deadline. Consequently, it concludes that the consolidation of January's buying panic is "right on target."

Merrill Lynch, biggest brokerage firm on Wall Street, also continues to argue that the recent sharp setback in U.S. share prices from the March 1 peak of 1299.36 is no more than a temporary correction. The firm is expecting a resumption of the rally but its latest market letter warns that worries about interest rates and the course of the U.S. dollar could keep the market in a do-nothing phase for a while longer.

Indeed the more optimistic observers believe the stock market has helped up surprisingly well given the collapse in the U.S. dollar. Dealers have argued for months that the dollar was hopelessly overvalued against the European currencies and only needed an excuse to unload their speculative holdings, such as the previous week's run on the Ohio savings banks.

A week ago the U.S. currency was trading above DM 3.38 against the West German currency and at 1.0830 against the British pound. By Thursday night in New York, the dollar had fallen below DM 3.20 and the pound had risen to 1.19. There are signs that many of the foreign investors who had been riding the U.S. currency into Wall Street are having second thoughts.

The drop in the dollar's value could rekindle U.S. inflationary pressures, and the only good news for the stock

market is that it should improve the short term earnings outlook for companies whose exports have been hit or are facing fierce import competition because of the currency's strength.

According to Thursday's "flash" estimate of the U.S. Gross National Product (GNP), the U.S. economy grew by 2.1 per cent in the first quarter. These figures are frequently revised upwards but they were well below the 4 per cent that analysts had been expecting and the quarterly inflation indicator pointing to an annual growth in prices of 5.4 per cent, was also worrying for the U.S. financial markets.

While the U.S. credit markets appear to have stabilised after February's sharp fall, they remain in a nervous mood ahead of next week's Federal Open Market Committee meeting which sets U.S. monetary policy. Fears that the Fed might be forced to tighten have abated slightly partly due to the weaker than expected GNP figures but the markets remain confused about the mixed economic signals on the strength of the U.S. economy.

U.S. share prices rallied sharply on Tuesday but for much of the week they moved listlessly. On only three occasions in the last 14 trading days have advancing shares outnumbered declining shares on the New York Stock Exchange and although the overall market, as measured by the S & P 500 is only 2 per cent off its all time high, it is not showing the breadth of support which was so impressive in January when rising shares outnumbered declining shares on the big board on 19 straight trading days.

The market's mood has not been helped by the share price performance of some of the heavy weights in the Dow Jones Industrial average. General Motors shares, which were trading around \$84 in late January, have since fallen by more than \$10. Several analysts were paring back their GM earnings estimates this week and a growing number believe that its 1985 earnings may be below last year's \$4.22 per share.

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IT WAS not so much what Mr Lawson said on Tuesday afternoon in his Budget speech as what he did not say that was important for the stock market. Pension funds have escaped untaxed and the Chancellor has done no more than tinker with capital gains tax.

The Budget had been widely expected to contain a further attack on the anomalies of the tax system, notably the removal of the tax privileges of pension funds. But far from cracking down on them the Chancellor has, in effect, ruled out any reform in the life of this Parliament.

The lifting of that uncertainty has clear bullish implications for the life assurance sector. It also means that the flow of money from the pension funds into gilts and equities continues undisturbed by tax bills.

But generally there was little in the Budget for the equity market to get excited about. Unlike the Chancellor's reforming Budget of a year ago this week's effort was a very sober affair though it will, at least, serve to reassure the financial markets that restraint of inflation and support for sterling

## Sterling after the Budget

## LONDON

ONLOOKER

are high on the Government's list of priorities.

Sterling has discovered fresh vigour, especially against the dollar which has been rocked by the Ohio savings bank crisis and evidence of a sharp slowdown in the U.S. economy. At home base rates came down as expected but the fall was limited to just a half-point. The news for home owners is less good, with mortgage rates heading upwards by a point or more — another hard point for the likes of Barratt.

Post the Budget it seems likely that sterling should show a sustained recovery throughout the year while interest rates look set to stay in double figures for a long while yet. Certainly the decline in base rates will be nowhere near as marked as some observers had predicted earlier in the year.

The strength of sterling, albeit recovering from a bombed out level, could shift market sentiment against those UK companies with high dollar earnings. Jaguar is an obvious

candidate for a rerating no matter how well its limousines are selling in the U.S. or how rapid its profits are growing. Another candidate for the list of shares that are likely to underperform on the back of a weaker dollar is BAT. Like Jaguar, the tobacco group's shares have been back-tracking this week.

The specific winners from higher sterling/dollar parities are as diverse as the losers though they obviously embrace those who will benefit from lower input prices. They also include groups which have been losing money in the U.S. For example, one or two composite insurance groups mentioned here a couple of weeks ago will be pleased to hear that each dollar lost no longer looks quite

so bad in sterling terms. The changes to the National Insurance contributions will be a plus feature for groups with low pay scales such as retailers and hoteliers while an adverse impact on high wage paying businesses such as financial services and, dare we say it, newspapers.

Finally the usual Budget milch cows—drink, tobacco and petrol—have again been subjected to an increase in excise duties. Despite the understandable groans from the various concerned trade bodies, the extent of the increases is fairly modest and should not cause any real problems.

## Jaguar's profits

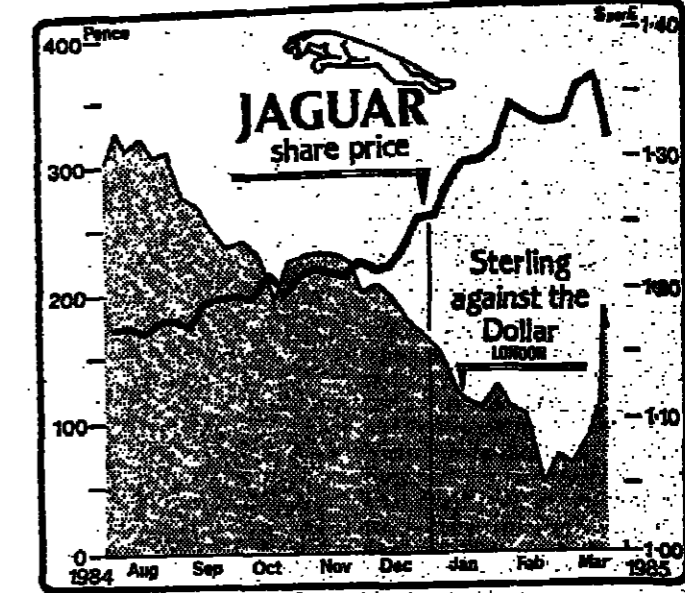
Jaguar's shares have had a rough ride this week despite news of the group's full year figures, showing a substantial improvement in profits. Having climbed from 165p, when privatised last August, the shares stood at 365p last week ahead of the results. By yesterday evening they were changing hands almost 15 per cent lower.

Because more than half its cars are exported to the U.S., market traders have regarded Jaguar as a currency play.

So when the dollar started to sag this week the shares inevitably went into reverse and then came the full year figures which, despite the improvement, did nothing to boost the price.

Bulls of the stock had assumed that the soaring dollar would push profits up to well over £100m. So the actual increase from £50m to £91.5m was branded as a disappointment. A slightly miffed management pointed out that the group hedges currency and so it could not make magnificent windfall profits out of the dollar's rise. Equally, the directors rightly emphasised, currency hedging avoids unpleasant bumps when the exchange rates are travelling in the opposite direction.

Anyway, despite the market's cool response to the figures, Jaguar actually had a very good year. Worldwide sales of its cars were more than \$3,400 in 1984, which is a record for



the company, amounting to an improvement of 5,000 over the previous twelve months.

The key element to the recovery has been the boom in sales to the U.S. where the marque once again commands a high quality image. Last year 55 per cent of its sales were made to the U.S. against just 16 per cent in 1980. So the importance of holding on to a slice of the U.S. luxury car market cannot be overstressed. And, despite the shift in exchange rates this week, that market should still account for half group sales in 1985. The moment to start worrying would be if the pound reached, say, \$1.50.

This year profits could move upwards to around £130m pre-tax, dropping the prospective p/e to under 8. That does not look expensive, though investors are bound to feel a degree of caution over longer-term prospects. Jaguar's profits are still built on one basic model and the successful launch of the XJ40—unlikely to appear this year—remains crucial to future profitability.

## Barratt's dividend

For the second year running Barratt Developments sneaked its interim figures into the City under the smokescreen of the Budget. And the figures proved to be every bit as grisly as investors had feared. Pre-tax profits collapsed from £19.1m to a little over £4m.

But Barratt managed to surprise the market with a maintained dividend payout. Previously the historic yield of 16 per cent before the announcement was assuming that the payout would have to be severely cut. Yet there is Sir Lawrence Barratt paying 2.31p per share from 1.4p of earnings.

The market, a little more tense on what was emanating from the House of Commons than from Barratt's Newcastle head office, appeared to suppose that the current year's final would also be held tight and the shares rose 12p to 78p on Tuesday. That, however, could be a rather dangerous assumption and, not surprisingly, the shares have since lost much of that initial gain.

To correct the maintained dividend Barratt would have to make profits of around £20m—and there is not much chance of that by the looks of it. Possibly the dividend decision has some regard to the old rumours that are swirling around. If management fears a predator, now would not be the time to do anything that could undermine the price. Almost 84 per cent of Barratt is in the hands of the Kuwait Investment Office—an investor with some reputation for skilful trading in likely bid situations. Now could be a poor time for shareholders to desert the shares, especially as there is an even chance of the dividend being held this year.

Terry Garrett

## MARKET HIGHLIGHTS OF THE WEEK

	Price	Change	1984/5	1984/5	
	y/day	on week	High	Low	
F.T. Ord. Index	992.4	-10.1	1,024.5	755.3	Exporters react as pound rises
F.T. Gold Mines Index	585.4	+25.5	711.7	439.5	Weaker dollar boosts gold
Allied Irish Banks	102	-30	178	100	Irish Govt. rescues subsidiary
Appledore (A. & P.)	138	+19	151	85	Falmouth Shiprepair deal
BAT Inds	351	-25	384	175	Currency influences
BTR	706	-37	743	407	Currency influences
Beristford (S. & W.)	162	-12	218	158	Chairman's profits warning
Bentobell	230	-28	373	225	Annual results deferred
Britoil	228	+20	277	185	Better-than-expected figs.
Brown (Matthew)	415	+92	418	208	Hopes of counter to S. & N. bid
GRA	424	+41	80	46	Abolition of Dev. Land tax
Garnar Booth	220	+25	220	100	Broker's bullish circular
ICI	782	-33	885	526	Currency influences
Jaguar	314	-49	363	170	Currency influences/disp. figures
KCA Drilling	31	+11	40	19	Better-than-expected results
Messina	90	-30	345	90	Annual deficit
Royal Bank of Scotland	292	+16	294	180	Bumper annual results
Safe Tilney	570	+95	570	267	Persistent bid speculation
Scottish & Newcastle Brew.	1314	-114	148	98	Bid for Matthew Brown
V. W. Thomson	43	-32	182	43	Poor interim results

## Onshore jolt for oil explorers

One of the few genuine surprises in the Chancellor's Budget came as a nasty shock to a small unsuspecting USM oil company, Floyd Oil Participations.

The measure that took Floyd shares down 20p to 83p, and sent tremors through the market's whole oil sector, was an apparently minor change in the way Petroleum Revenue Tax is levied.

Up until now, oil companies have been able to reduce their payments of PRT—a tax on oil and gas production levied on top of standard corporation tax—by offsetting the costs of exploration carried out in the UK. This relief was seen by the Government as a way of encouraging companies to maintain exploration programmes.

But now, the relief is only to be available offshore, not onshore, exploration. The Chan-

## Unlisted Securities Market

cellor argues that since the costs of exploring on land are only a fraction of those incurred in the North Sea, the extra incentive is unnecessary.

The change hits Floyd particularly hard because all its UK exploration activity is onshore—mainly in the East Midlands. To help fund the programme in the most tax-efficient way possible, Floyd bought an 0.5 per cent stake in Claymore, a producing oil field in the North Sea. It was an important investment, adding about £4m revenues to the £0.5m or so the company already has in the U.S.

Now, much of the rationale for that purchase appears to have disappeared. Floyd this week said that the Chancellor's move had come as a "shock," but declined to discuss the implications until it had time to look at the measures in detail.

However, Malcolm Brown, who covers USM oil companies for stockbroker Grieson Grant, estimated that PRT relief would have funded about £1.5m of the £2m Floyd is spending on UK onshore exploration this year.

He suggested that Floyd, which raised £3m in a two-for-seven rights issue in 1983, might need to turn to shareholders again next year as a result of the lost tax relief.

Floyd is alone among oil companies with North Sea production interests in having all its exploration activity onshore. But another company, Industrial Scotland Energy, which came to the USM last August, is also badly affected by the tax changes—it has exploration stakes in southern England as well as the North Sea. ISE shares have fallen 20p to 145p since the Budget.

More generally, the changes could upset the calculations of other companies planning to start or to expand UK onshore drilling programmes, especially as they are now awaiting the allocation of new exploration licences in the Government's first onshore licensing round.

Stockbroker Hoare Govett makes no bones about the Chancellor's measures: "Some of the companies involved in onshore exploration are small, with limited cash resources, and the business of balancing their portfolio (exploration versus production) requires delicate footwork. Changing the rules halfway through the game scuppers the corporate plans of every company involved in onshore exploration."

So, given that the Treasury gains only about £10m in extra revenue from the tax change, why has the Chancellor changed the rules? The Department of Energy said this week that the onshore programmes were already sufficiently profitable without an "artificial" tax advantage. Several companies had last year bought North Sea production stakes (as both Floyd and ISE have done) for tax reasons.

Now that the rules have changed, however, there will have to be some rapid thinking on the board of smaller oil companies. It would be no surprise to see some changes of direction—for example, more investment in the U.S., where drilling costs are low and there are fewer environmental controls than in the UK.

It might also turn a few companies into takeover candidates—now that the tax advantage of Floyd's marriage between offshore production and onshore exploration has disappeared, it might be that the company's assets are worth more to someone else.

Stefan Wagstyl

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# BUDGET SAVINGS AND INVESTMENTS

Clive Wolman examines the changes in Capital Gains

## Investors off the hook

VERY FEW private investors will ever again have to pay capital gains tax, as a result of the changes announced on Tuesday—at least not on assets bought in 1982 or thereafter.

Investors have been holding off the sale of their assets in the hope that the Chancellor would sweep away Capital Gains Tax (CGT) in the Budget.

His changes were less dramatic and much more technical than simple abolition. But they will achieve a similar result by allowing full inflation adjustment.

In all respects but one, the reforms will also simplify the calculation of CGT liabilities. If the Government's first attempt in 1982 to make some allowance for inflation drove you to an accountant, it may now be worth disentangling your affairs.

The 1982 indexation rules were so complicated because they were only a half-hearted attempt to get to grips with distortions thrown up by inflation. The new rules will limit any possible CGT liability to investors who realise real capital gains (made since 1982) after full adjustment for inflation.

For the last three years, indexation (inflation adjustment) of capital gains has been subject to the following four limitations:

● The indexation applied only from April 1982, so investors whose assets marked up purely inflationary gains in the 1970s would still face large CGT bills

when the assets were sold.

● The problem of taxing purely inflationary gains was aggravated by provisions which allowed only partial indexation to be applied even after March 1982 to assets bought before that date.

● The indexation could not be applied to capital losses nor used to convert a nominal capital gain into a real capital loss for tax purposes.

● Capital gains on assets bought and sold within a 12-month period were not allowed to benefit from the indexation provisions.

The rules introduced by Nigel Lawson after his year-long review of CGT, remove the last three of these limitations.

Consider the following examples of how the new rules will operate:

Case A: A taxpayer buys shares for £100 in 1970. At March 31 1982, their stock market value is £1,000 and when he sells them on April 9 1985 their value is £1,200. The Retail Price Index, which is used as the measure of inflation, has risen by 14 per cent between March 1982 and April 1985.

Under the old rules, the indexation allowance of 14 per cent could be applied only to the original acquisition cost of the asset i.e. it was worth just £14. Under the new rules, it may be applied to the market value of the asset on March 31 1982 and is therefore worth, in this case, £140. Previously, the adjusted capital gain liable

to CGT was £1,200—(£100 + £14)=£1,086, giving rise to tax (payable at 30 per cent) of £326. Now the adjusted capital gain liable will be £1,200—(£100 + £140)=£960, giving rise to tax of £288.

Case B: An investor faces a capital gains tax bill for tax year 1985-86 of £1,000. But he has not taken into account shares he bought for £10,000 on April 1 1982 and sold for £10,400 on April 9 1985. The indexation allowance over the three years is £1,400, reflecting a 14 per cent rise in the RPI.

Under the old rules, the application of this allowance would have done no more than wipe out his nominal capital gain for CGT purposes. Under the new rules, he has registered a real capital loss of £1,000—(£10,400—£14,000)=£1,000. This can be used to reduce his CGT bill for the year from £1,000 to £700, i.e. by £300.

Case C: An investor buys shares for £10,000 on April 1 1982 and sells them for £9,000 on April 9 1985. Under the old rules he suffered a capital loss, offsettable against other capital gains, of only £1,000. Because the indexation allowance over this period is once again 14 per cent, under the new rules he has realised a real capital loss of £2,400.

These examples understate the probable long-term benefits of the changes. The longer an asset is held after 1982 and the



higher the inflation rate, the greater the impact of the new rules.

Their other advantage is simplification. Previously, the 12-month rule and the lack of symmetry between capital gains and losses meant that all individual shares had to be identified separately.

One possible disadvantage is that the investor may find it difficult to discover the market value of his assets on March 31 1982. For quoted securities, information is readily available. But for shares in private companies and for real estate, lengthy negotiations with the Inland Revenue may be necessary.

A further danger of getting a March 1982 value put on such assets is that it may have un-

desirable consequences for your capital transfer tax situation.

Another factor is year-end tax-planning. The new rules come into effect only for assets sold after April 5, in the new tax year. In practice, you will probably not be able to sell your assets until April 9, after the bank holiday weekend. But you may want to realise some of your gains (or losses) in the current tax year, to make better use of the annual exemption of the first £5,000 of capital gains (£5,900 next year).

Your best strategy in such circumstances will be to sell only those assets which are unaffected or are least affected by the latest reforms.

## Margaret Hughes on a building society deal Your nesteggs in one basket

INVESTORS WITH large amounts to invest should soon start to get a better deal from building societies. The limit which an individual can invest in any one society has been removed in the budget. Until then an individual could only hold a maximum of £30,000 in one society and a couple in a joint account £60,000.

Individuals with £30,000 in their account can now have the interest which they earn on that balance re-invested in that account rather than having to have it remitted to them directly.

Instead of spreading funds through accounts in several societies — some have the maximum in five or six — investors can put all their funds in one society.

Societies are well aware that such investors will tend to go for the best returns and will be sensitive to interest rate changes. The societies will therefore be anxious to ensure that their accounts are sufficiently attractive to secure a major slice of the market, where they already face the greatest competition from the banks.

The Chief Registrar of Friendly Societies, who is responsible for regulating building societies, has issued prudential guidelines, based on the size of a society's balance sheet on the extent to which societies should take these large deposits. They will have most impact on the activities of smaller societies which would be most vulnerable to any volatile movements of large accounts. They will have little effect on the larger societies.

The Abbey National, for instance, with assets of £18.98bn would be able to hold balances up to £250m in such accounts and just over 3 per cent of all building society accounts have balances of £10,000 or more. However, in terms of the value of these balances those accounts containing £10,000 or more represent a third of the industry's total.

Much of this investment is in the longer accounts, such as 80-day notice accounts. Competition with the banks is also fierce here so investors may well see some better offers from building societies. One possibility is that they may increase the differential between these accounts and the ordinary share rate from the present 1.75 per cent to 2 per cent. At present these accounts pay 10 per cent net of basic tax.

Large account holders may be less happy with another Budget change: the requirement that societies will now have to inform the Inland Revenue when interest earned in any particular account reaches a certain level. Banks already have to do this when it reaches £350 in gross. After April 6, when the early years.



A building society customer pays in

ever, that the amount which investors can put into societies will now vary from society to society and will therefore be more confusing for the investor. Considerable forward planning by societies will be needed, so that they do not find themselves operating a "stop-go" policy, sometimes being forced to suddenly stop taking large balances.

The number of account holders with large balances is relatively small.

Those with more than £25,000 in their accounts represent less than half a per cent of Abbey National's 6m account holders and just over 3 per cent of all building society accounts have balances of £10,000 or more.

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## George Graham on pension contributions

### What comes after the hard sell

personal pension plans have no compulsory ten day "cooling off" period to allow the customer to have second thoughts.

If you simply stop making your regular payments, the insurance companies are unlikely to make too much fuss. Some have provisions in their pension contracts allowing you to reduce the payment or stop it altogether. But you would say goodbye to what you have spent already.

The money you have invested so far will be locked into a

fund to grow until you retire. But if you have only made one or two payments, all of your money will have gone to paying initial fees and commission to salesmen; none will yet have been invested on your behalf, so there will be no fund to grow.

Commissions on personal pension contracts could be 50 per cent of the premium spread over two years. If they were sold by a registered insurance broker they would rise to 57½ per cent.

Under the law governing self-employed pensions the insurance company cannot normally give your money back to you until you are 60—unless you are not eligible for this kind of pension, in which case it must give it back.

To be eligible you do not have to be self-employed, but you must be in "non-pensionable employment"—at least some of your earnings must be from a job where your employer does not offer a pension scheme.

The insurance broker can claim some justification for rushing you into a pension contract. Last year, many people took out last minute life insurance contracts just before tax relief on these was abolished.

But the Inland Revenue is questioning whether many of these are in fact eligible for relief, on the grounds that the contracts were not 100 per cent signed and sealed by the cut-off date.

For some people the Budget panic will have provided the final impulse to push them into pension arrangements that they should have begun years before. But if you feel you have been sold a plan that is not suitable for your needs, there is very little you can do except grin and bear it.

## Malcolm Gammie and Frances Corrie on income tax

### The winners and the losers

FOR MOST taxpayers earning between £4,680 and £13,000, the net effect on their comparative incomes for the 1984 tax year and the year from April 6 1985 is very straightforward. The increased single person's personal allowance from £2,005 to £2,205 will leave him just £60 better off. For a married man the increase from £3,155 to £3,455 will give an improvement of £300. Couples where both partners earn will benefit from the increase in both allowances.

At levels of earnings below £4,680, the reductions in rates of National Insurance Contributions (NIC) will also increase net pay once the changes take effect from October 6 1985. The group most likely to benefit from these changes are young single earners or part-time workers. They give a maximum increase of about £115 in a full year for someone earning just under £55 per week.

However, if you are a single earner at between £13,000 and £16,100 you may actually find yourself £10 per year worse off after April 6. A married man

at the same income level gains just £20 per year. This is because the upper earnings limit for NIC will be raised from April 6 from £13,000 to £13,780 as announced last autumn. For those earning over £13,780 the NIC at 9 per cent on the additional £780 will cost £70, so more or less balancing out the benefit of the increase in personal allowances. Beyond £16,100 there is again a net benefit. Although the higher rate thresholds have increased only in line with inflation, in money terms the saving in tax more than outweighs the additional NIC.

The retired have done less well recently than those earning. The age allowance given to those aged over 65 has only increased by some 15 per cent over the past two years, from £2,360 in 1983-84 to £2,680 in 1985-86 for a single person and from £3,755 to £4,255 for a couple. This is markedly less than the nearly 24 per cent increase in the main personal allowances over the same period. In money terms the

benefit of the Budget will be the same as for earners at most levels of income, that is £60 for a single person and £90 for a married couple. Over a certain level of income, the age allowance is progressively withdrawn by £2 for every £3 of income over the limit until it reaches the level of the basic personal allowances. The limit has been increased from £8,100 for 1984-85 to £8,800 for 1985-86. Those with income between £8,100 and £10,000 (married) or £8,100 and £9,528 (single) will enjoy a greater increase in their net income.

For the small businessman, the changes to NIC complicate the picture yet again. After last year's Budget the reduction to 30 per cent in the small companies rate made incorporation look much more attractive. The removal this year of the ceiling for employer's contributions for NIC introduces effectively a payroll tax at 10.45 per cent for earnings over £13,780 as far as the company is concerned, although the employee will pay a maximum of £1,240, 9 per cent on £13,780.

By contrast the self-employed person will be slightly better off in the year from April 6: the Class 2 NIC is to be reduced from October 6 from £4.75 to £3.50 per week and tax relief is to be given on half the Class 4 NIC contribution levied at 6.3 per cent on profits between £4,150 and £13,780; the maximum Class 4 charge is £607, so on profits over £13,780 the benefit will be the tax saving of £309—that is £91 at basic rate, or £182 at the top rate of 60 per cent.

The figures shown reflect the changes in net income from the alterations to NIC and income tax for the same level of income and take no account of any increase in income anticipated in the coming year. Similarly, the net figures do not reflect the declining value of the money income in purchasing terms. No adjustment has been made for child benefit or other benefits which might be claimed, and no allowance has been made for pension contributions.

The gross income level shown should therefore be regarded as the level of taxable income after deducting such contributions, but at levels of income below £7,800 that would affect the total NI payable. Where pension contributions are paid the employee would normally also pay NIC at the lower contracted-out rate of 6.85 per cent on earnings over £35.50 per week (£34 in 1984). Mortgage interest is assumed to be paid under MIRAS. Where relief at the higher rate of 8 per cent due gross income is assumed to be net of the effective amount of that relief.

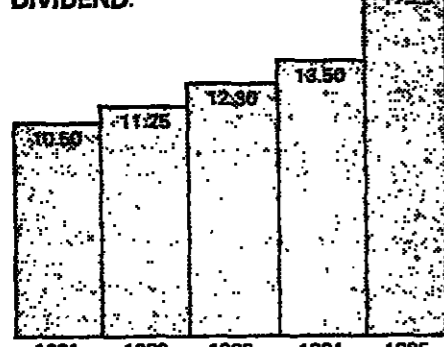
Malcolm Gammie and Frances Corrie (the authors) work in the National Tax Office at Thomson McLintock/WMG.

## The Alliance Trust PLC

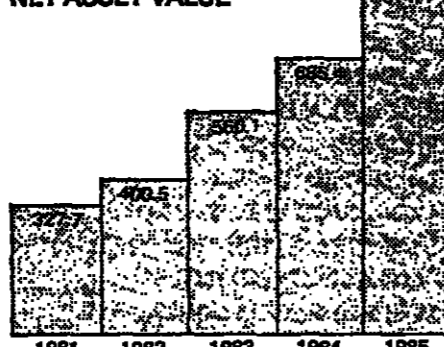
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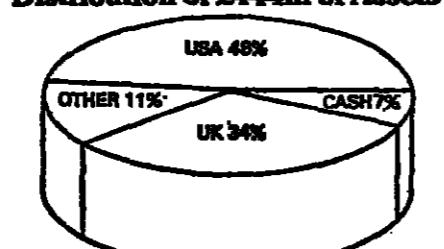
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23rd March 1985

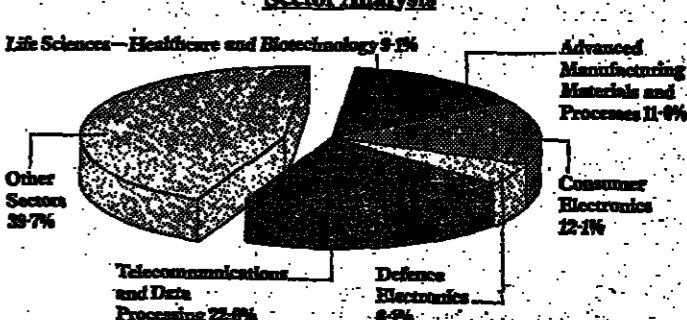
## British American and General Trust PLC

### Highlights of the year

(ended 31st December 1984)

Dividend per ordinary stock unit 2.60p  
Net asset value per stock unit 113.5p  
Total assets £57,997,360

#### Sector Analysis



#### Investment Objective

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# BUDGET SAVINGS AND INVESTMENTS

An everyday tale of budget-wise folk... by Clive Wolman

## The dodges to benefit one and all

ON TUESDAY afternoon, Rebecca Massey sat sipping coffee on a sofa strewn with legal documents unable to decide who was irritating her more—Nigel Lawson reading out his Budget speech over the radio or her husband, George. He was jabbering away down his conference telephone line, interpreting the contents of the Budget to his fellow-directors.

"The computerisation of PAYE... to be completed only by 1987," said George, repeating the Chancellor's explanation for postponing reform of the taxation of wives. He snorted.

"The Revenue has already taken 23 years to get this far. Lawson must know his words will be forgotten long before they finish."

George is the finance director and 20 per cent owner of Greasy Widgets, a small unquoted company whose planned production of self-inserting underwater micro-screws driven by magneto-hydrodynamic solar panels was discussed on these pages a year ago.

Rebecca was getting impatient. "What about our wretched bungalow in Worthing?" she hissed. "Will the new tax rules let us get rid of it or not?"

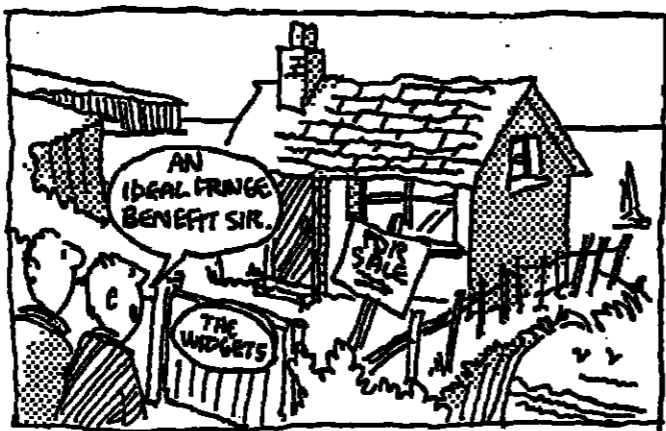
She went into the kitchen for more coffee but darted out again, when she heard the Chancellor talking about the taxation of pension funds. George had slumped back in his seat, his face frozen in a contorted expression. After a long silence, he said to no one in particular: "After all that fuss, he's not going to do anything—no tax on pension funds."

Rebecca raised her eyes to the ceiling and then looked down on the floor which was covered with pensions and other financial marketing literature.

"What are we going to do about these ridiculous pension plans you've been spending all our money on over the last two weeks, dashing around like a mad man? What about all those plans you've been flogging to your colleagues?" Similar murmurs of discontent could be heard emerging from the telephone speaker.

The answer was that they could do little but pay up. Fortunately for George, the Chancellor had now moved on to talking about capital gains tax.

Rebecca returned to the sofa. This was the tax change which would determine whether they



could sell their weekend seaside bungalow in Worthing. The bungalow was bought for £8,000 14 years ago with the money Rebecca's father had left her and now formed part of a rather inactive property business the Masseys were running. During the week, they rented out the bungalow for £4,000 a year to a marketing company. The estate agents reckoned it could now be sold for about £50,000.

George's resistance to the sale proposal was bolstered when he calculated that about £12,000 of the gain would have to be handed over to the taxman. For more than a year, he had delayed any moves to put the bungalow up for sale by insisting that the Chancellor would soon get around to abolishing capital gains tax.

But Rebecca had tired of the weekly excursions to the seaside bungalow, particularly over the past two years since her second child had gone to nursery school and she had returned to nearly full-time work as a clerk at Greasy Widgets. She reckoned that with the money from selling the bungalow, her money, they could afford to go away and stay in a hotel at least one weekend in two.

"What's he talking about? What does it mean?" she asked George impatiently, as the Chancellor delved into the technicalities of indexation and anti-bondwashing provisions.

"Not now, not now," said George.

Rebecca stormed up to him and switched off the telephone line. "I'm fed up of hearing your not nows," she said, "I'm fed up of spending every Friday evening trying to get everything together to go to Worthing, everything down to the children's last toy and teddy bear. I'm fed up of spending

every Saturday morning in the kitchen and every Sunday evening cleaning the place up after you all." And with that, she walked out of the house.

It was 11 o'clock in the evening when she returned. George was still playing with figures on the table. "I think I've found a solution," he said, smiling nervously. "You don't dislike Worthing or the bungalow itself, do you? It's only the organisation that gets you down."

He lowered his voice. "Well, what we do is enlist the help of the taxman to get Greasy Widgets to do all the cleaning and all the cooking, in fact everything for us. I've just been discussing things with the boss."

"You see, you walked out before the most interesting part of the Budget," he said. "The Chancellor may call this a Budget for jobs, but it's really a Budget for fringe benefits. That's the effect of making employers pay National Insurance Contributions on higher salaries."

"But why shouldn't we just sell the house?" asked Rebecca irritably. "The Budget changed capital gains tax, didn't it?"

"Yet it did—but not enough to our advantage. All it's done is to allow the capital gains on the bungalow to be fully adjusted for inflation since 1982. But over the past three years, prices have gone up by only about 14 per cent. At the most, we could get an extra £8,000 knocked off our capital gain if we sold the house for 50. But we'd still have to pay about £10,000 tax."

Instead George proposed that the house be sold to Greasy Widgets in exchange for extra shares in the company. They could then avoid any immediate CGT bill by relying on roll-over relief. CGT would be payable only when the Greasy Widget

shares were sold many years hence, by which time the new indexation provisions would reduce the taxable gain substantially.

Greasy Widgets could buy the property by using the surplus money it had raised this year under the Business Expansion Scheme. The BES grants investors full income tax relief at their top marginal rate on investments in unquoted companies.

"We raised so much money that we couldn't possibly waste it all on producing widgets," said George. "So we're diversifying into property. But we can't do too much as the Chancellor has said he is clamping down on property-dealing BES companies."

The real advantage of the sale would be that Greasy Widgets, while continuing to rent out the bungalow during the week, would make it available for the Masseys at the weekend. The company would also pay the fuel bills, a clearing woman's wages and most of the costs of catering over the weekends.

The free accommodation would be taxable as a fringe benefit, but on only about a quarter of its true value, as the tax is based on outdated rateable values. As George often entertained potential South Coast investors in Greasy Widgets, the catering costs would probably not be taxed as his income—although they would also not be tax-deductible for Greasy Widgets (unlike most business costs). But as its corporation tax rate had now been cut to only 30 per cent, well below George's 50 or 55 per cent marginal rate, entertainment expenses were becoming a tax-efficient form of remuneration.

An equally important advantage of using fringe benefits is that they do not give rise to additional National Insurance Contributions. The Budget, explained George, would for the first time remove the upper salary limit on NIC, previously fixed at £13,000 a year. From October a company would have to pay an additional £104.50 in NIC, effectively a tax, for each £1,000 of higher salary—unless the salary was paid in the form of fringe benefits.

This consideration also made car benefits and savings-related share option schemes more valuable.

The other way of avoiding the

The Masseys' Calculations			
	1984-85	1985-86 pre-plan	1985-86 post-plan
<b>Masseys' income</b>			
George	£	£	£
Salary	15,000	15,000	15,000
Bonus	15,000	15,000	1,237
Benefits: car	1,125	1,237	825
Fuel	750	825	1,425
Accommodation	—	—	525
Fuel bills, etc	—	—	1,600
Entertaining	—	—	400
Rates	31,875	32,062	20,140
Total remuneration	4,000	4,000	4,000
Joint investment inc	—	—	1,500
Company dividends	—	—	—
<b>Total income (pre-tax)</b>	<b>55,875</b>	<b>56,062</b>	<b>39,540</b>
<b>National Insurance</b>			
(contracted out)	(983)	(983)	(983)
Income tax	(12,765)	(12,385)	(14,905)
Share options/mortgages	(3,562)	(3,562)	(3,562)
Disposable income	18,564	19,129	19,890

Direct cost to company of employing the Masseys in 1985-86			
	Pre-plan	Post-plan	
Salaries	29,800	19,500	
Dividends	—	15,400	
Employers' National Insurance for George	3,125	1,567	
for Rebecca	835	715	
<b>Total cost</b>	<b>33,975</b>	<b>37,285</b>	

Source: Spicer and Pegler

10.45 per cent NIC that George proposed was by foregoing his £15,000 a year bonus, half his total salary. Instead he and the other director-owners of Greasy Widgets could pay themselves dividends for the first time out of their profits to make up the shortfall.

"The game used to be to convert unearned dividends into earned income," explained George. "But last year the Chancellor abolished the unearned income surcharge—and this year he's replaced it by an earned income surcharge in the guise of National Insurance. So now, earned income is out and unearned income is in."

There were two possible disadvantages to taking dividends in place of salary. The employee's contributions to his pension scheme would be limited—but this could be overcome by the company increasing its contributions. The other drawback, that higher dividends might boost the value of the company for capital tax purposes, did not concern the

Greasy Widget directors immediately.

The reduced rate of both employers' and employees' NIC for lower paid workers also made it worthwhile for Rebecca to receive a cut in her pay—in exchange for dividends from her small share-holding. By reducing her salary to below £90 a week, the combined NIC would be cut from 18 to 14 per cent of the entire amount.

Rebecca looked at what she hoped was a critical gaze at George's lists of figures. She was secretly delighted that the weekend housework would be taken away from her but felt out-manoeuvred by George's fast footwork.

She decided to change subject. "I've heard the Chancellor is going to give complete independence to wives in their tax affairs."

"Oh yes, it's not happening tomorrow," said George with a sarcasm lost on Rebecca, "but as soon as it does, I shall let you arrange all your financial affairs yourself."

Robin Pauley on tax thresholds

## Borderline cases

THERE ARE some potentially expensive wrinkles for the low paid and employers of the highly paid in the Budget changes to National Insurance contributions. With regard to the low paid, low pay increases near to the various National Insurance thresholds will suffer a very high marginal rate of combined tax which could cost more than £1 for a £1 pay rise.

The problem of high marginal rates always occurs when any taxation burden rises in steps. As the Budget changes have introduced more steps there are more potential high marginal rate levels, known as "cliff edges".

The changes mean that employees, taken on at a low wage, must be careful in assessing the impact of a rise at the cliff-edge levels.

Under the scheme an employee will pay no National Insurance until his wage reaches £35.50 a week when he will pay the new reduced level of 5 per cent. On a wage of £35 he will

pay nothing and keep £35. A rise of £1 to £36 will mean he must pay £1.80 National Insurance, leaving him a net 80p a week worse off.

The next cliff edge occurs at £55 a week when the new low 7 per cent National Insurance rate comes in and by when a wage is also liable to income tax. A wage of £54 a week will suffer £2.70 deductions; a rise of £1 to £55 will result in an extra £1.15 in National Insurance and an extra 30p in tax, a net loss of 45p.

The third new cliff edge occurs at £90 a week when employees move into the 9 per cent NI band. The extra cost in deductions resulting in a £1 pay rise on a wage of £89 a week is an extra 87p on National Insurance and 30p on tax totaling £1.17, a net loss of 17p.

Employees will stay in the 9 per cent contribution band until their wage reaches £265 a week when they will become liable to a flat rate payment of £28.85 a week.

John Edwards on taxed profits

## Bright new futures

PRIVATE INVESTORS should benefit most from the Chancellor's decision to change the tax treatment for dealings in futures and traded options.

Until now there has been considerable confusion, with the Inland Revenue refusing to be specific, over how profits made in the futures markets are taxed. It has been a grey area, but in practice many investors have found that any profits made from dealings in futures are treated as unearned income and come under the dreaded case VI of Schedule D.

This meant that any profits they made on their dealings in commodity or financial futures would be taxed as miscellaneous unearned income at their top marginal rate. As usually only the wealthy can afford to take the risks of playing the futures markets—this meant typically suffering a tax rate of 60 per cent.

On the other hand, if the investors made a loss they could not offset that against their earned income or even against their regular investment income.

This lack of symmetry will be ended, on April 6. Thereafter, all profits made from futures (and traded options) dealing

will be treated as capital gains. This may mean paying no tax at all on profits to the extent that an investor can use up his annual capital gains tax exemption which next year will be £5,900. Moreover from next year gains on contracts held for less than 12 months can be reduced for tax purposes by the rise in the Retail Price Index during the months in which the asset is held.

On any remaining tax liability, the capital gain will be subject to a rate of only 30 per cent.

In addition, investors suffering losses in futures transactions will be able to offset them against all other forms of capital gains, whatever their source, including, for example, share dealing profits.

Since private, rather than trade, investors are the ones who have mainly suffered from being taxed under Case VI, it follows they will gain most from the change to capital gains. At the same time, however, funds investing in futures on behalf of clients, which have been forced to shun them to avoid the punitive UK tax rates, will now be encouraged to come onshore.

F.W. THORPE P.L.C.—Interim Results

In yesterday's edition the turnover figure for 1984 was printed incorrectly. An amended version appears below

## F.W. THORPE P.L.C.

(Manufacturers of "Thorlux" quality lighting equipment)

UNAUDITED RESULTS FOR HALF YEAR TO 31 DECEMBER 1984

	Half year to 31st December 1984	1983
Turnover	3,149,075	2,859,751
Trading profit	342,483	311,017
Interest received	107,000	75,708
Profit before taxation	449,743	386,725
Taxation	202,393	193,162
Profit after taxation	247,370	193,563
Interim dividend at the rate of 1.40p per share (1.30p)	42,991	39,920
Retained profit	204,379	153,643
Earnings per share	8.06p	6.30p
Payment date	15 May 1985	16 May 1984



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The outlook for continental European stockmarkets in 1985 is promising. Economic recovery continues, there is optimism about the prospects for company profits and inflation remains low. In addition, most governments are pursuing economic policies favourable to the industrial sector. Nevertheless, stock prices in many of the markets are still at reasonable levels and buying interest is likely to be seen from overseas investors as well as from domestic European institutions.

### THE MANAGERS

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\*To 1st March, 1985, offer price to offer price, with net income reinvested, for authorised unit trusts. Source: Financial Services.

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### HOW OUR SELECTIONS HAVE PERFORMED

Rec date	Rec Price (p)	% gain as at 6.3.85	Rotork	11/83	68	+ 89
MCD Group	5/83	42	Laporte	11/83	205 1/2	+ 82 1/2 (10)
Micro Focus	5/83	195	Aero Needles	12/83	30	+ 183 1/2 (2)
Dee Corp	5/83	73 1/2	High Point	12/83	140	+ 132
Delta	5/83	54	Cope Allman	12/83	73	+ 140
Fisons	5/83	150	Microgen	1/84	413	+ 147
Waterford	6/83	20	VG Instruments	1/84	135	+ 91
Neil & Spencer	6/83	18 1/2	Wright Collins	2/84	158	+ 101
Bridon	6/83	50	Renishaw	2/84	207	+ 83
Grattan	6/83	42	Bleasdale	3/84	25	+ 152
Tootal	6/83	38	Steel Burnell	5/84	130	+ 78*
Vickers	7/83	104	Steel Burnell	5/84	130	+ 188
Low & Bonar	7/83	114	Brikat	5/84	160	+ 88
Low & Bonar	7/83	114	Woods, Herbert	6/84	20	+ 75
Reed	8/83	35	Jaguar	8/84	185	+ 114 1/2 (5)
Bathand Portland	8/83	116	Blue Arrow	8/84	86	+ 80
Keywest Inv.	8/83	17 1/2	Sangster	8/84	18	+ 88
Keywest Inv.	8/83	17 1/2	Island Frozen Foods	9/84	210	+ 108
Antofagasta	8/83	68	Falcon Res.	10/84	117	+ 250
Angyl Group	8/83	120	Consultants (C&F)	10/84	28	+ 69
Rotaflex	10/83	64	United Bisc. warrants	10/84	32	+ 81
Wolstenholme	10/83	101	British Telecom	11/84	50	+ 157 1/2 (3)
Ranks Hovis	10/83	67	Carpets Int.	12/84	22	+ 89
Coats Paton	11/83	73	Falcon Res.	1/85	262	+ 58
Lister	11/83	38	Bronx Eng.	1/85	11	+ 41
AE	11/83	53				

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Micro Focus	5/83	195
Dee Corp	5/83	73 1/2
Delta	5/83	54
Fisons	5/83	150
Waterford	6/83	20
Neil & Spencer	6/83	18 1/2
Bridon	6/83	50
Grattan	6/83	42
Tootal	6/83	38
Vickers	7/83	104
Low & Bonar	7/83	114
Low & Bonar	7/83	114
Reed	8/83	35
Bathand Portland	8/83	116
Keywest Inv.	8/83	17 1/2
Keywest Inv.	8/83	17 1/2
Antofagasta	8/83	68
Angyl Group	8/83	120
Rotaflex	10/83	64
Wolstenholme	10/83	101
Ranks Hovis	10/83	67
Coats Paton	11/83	73
Lister	11/83	38
AE	11/83	53
Aero Needles	12/83	30
High Point	12/83	140
Cope Allman	12/83	73
Microgen	1/84	413
Wright Collins	2/84	158
Renishaw	2/84	207
Bleasdale	3/84	25
Steel Burnell	5/84	130
Steel Burnell	5/84	130
Brikat	5/84	160
Woods, Herbert	6/84	20
Jaguar	8/84	185
Blue Arrow	8/84	86
Sangster	8/84	18
Island Frozen Foods	9/84	210
Falcon Res.	10/84	117
Consultants (C&F)	10/84	28
United Bisc. warrants	10/84	32
British Telecom	11/84	50
Carpets Int.	12/84	22
Falcon Res.	1/85	262
Bronx Eng.	1/85	11

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Government funding policies have put the national institutions under pressure. The lead is being taken by many enterprising independent museums, which are finding new ways to attract visitors.

## Fresh ideas replacing the glass cases

BY ANTONY THORNCROFT

THE MINISTER for the Arts, Lord Gower, who is responsible for the great national museums and art galleries, believes he has done well for his charges in 1985-86. He has increased their subsidy for building maintenance and repair by 15 per cent to £28.7m and found another £1.5m for conservation and display.

But the museums and art galleries are not happy. While giving with one hand Lord Gower took away with the other, reducing the purchasing grants by 12.8 per cent to £8.1m.

The result is that while the Victoria and Albert will get some much-needed cash to repair its leaking roof and generally disintegrating building, the National Gallery, with a purchasing grant of £2.75m will not be able to buy even one masterpiece.

So our museums and galleries may have been saved from falling down but they are being starved of cash to keep open.

They have had their grants to cover their running costs raised by 3 per cent but if their workforce, whose pay is easily the

major item of expenditure, gain an increase of more than 3 per cent this year then the constant round of cheeseparing and corner cutting will continue. No wonder the museums and galleries are examining alternative ways of raising revenue.

The most obvious is admission charges. The National Maritime Museum in Greenwich introduced such charges a year ago. Its director, Dr Neil Cossons, came from the marketing-minded Ironbridge and is keen to raise the image of his museum.

In the first year Greenwich will have gained £310,000 net in extra income for a drop in attendances of about 10 per cent to about 540,000. With the cash he has been able to open the museum on Mondays, start to refurbish galleries, and finance a £100,000 advertising campaign.

His success has been watched with keen interest by the other major museums. The general feeling is that if others follow the Greenwich example the test will follow in time although some, like the British Museum,

but if it does decide that the museums can be more entrepreneurial and still keep their grants, a much livelier time can be expected.

Already the museums have responded to the fresh thinking about displays shown by the Independent sector. The Natural History Museum has taken further the need to give the public what it wants, rather than try to retain the old didactic approach. The success of its specially-formed design teams in transforming the museum has made it an advisory centre, too.

Under the director Dr Roger Miles, an expert on museum display, it has become a noisy, colourful place, as visitors crowd around the "hands-on" exhibits. It currently has on offer the first museum exhibition for the blind and partially-sighted in the UK.

### Eager

Its success has not only won it a Museum of the Year Award but has resulted in over 2.5m visitors a year—a figure just pipped by the British Museum, and more comfortably exceeded by the Science Museum.

All the major museums are eager to prove that they, too, are not in the "things business" but the "people business"; it is lack of cash which is holding back the streamlining of displays and a more popular approach.

For example, museums such as the V & A have had to curtail their past penchant for the large-scale exhibition; instead it is mounting special displays of objects from its own collection. There is a lot to be said for this approach because most museums (the National Gallery is an excep-

tion) can only display a limited number of the objects in their care.

In contrast, the Tate continues to mount impressive shows (currently the St Ives artists, recently Shubbs, and the Pre-Raphaelites) because it has been able to find sponsors for major events.

All the museums are anxious to attract commercial help, and to expand the role of the Friends of each museum in fundraising. The museums have also benefited from the emergence of the National Heritage Fund and the continuing support of the National Art Collections Fund.

Strangely enough, the hundreds of museums operated by local authorities are not in the dire straits that might have been anticipated in a world of rate capping and cuts in government aid. Local councils like the idea of their neighbourhood museum, and there have been no permanent closures.

On the other hand, local authorities receive cash from the government in the rate support grant to finance museums and not all of them do so. It is about time that local museums made the same fuss as the performing arts groups when their annual grants are frozen: they enjoy more good-will among their community than most other recreational facilities.

One sector of the museum world which is suffering badly is the university museums, which are experiencing real cuts in their revenue. This not only affects the service they can offer the general public but also their scholarly role.

It is a pity that the Government has not taken up the recommendation of the Drew



Monastic calm at the Burrell Collection, housed in a new gallery in Glasgow

Report and made at least three university museums—the Ashmolean, Oxford, the Fitzwilliam, Cambridge, and Manchester, eligible for state funds.

Britain's great museums and art galleries are one of the glories of the nation. Apart from educating and entertaining people they are a considerable tourist attraction.

The Government seems to recognise their importance, but at only marginal extra cost it could safeguard and develop their future rather than force museum directors to spend so much time worrying about money rather than showing their collections.

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A FLOCK of sheep will be herded through the streets of the City of London on Tuesday, on their way to the Guildhall. There they will become part of a day-long exhibition in the crypt designed to convince businessmen that museums can be fun.

The Association of Independent Museums, a grouping of 550 commercially-slanted ventures, is organising the event, along with the Association for Business Sponsorship of the Arts.

Fifteen museums will display items from their collections in the hope of dispelling the belief that such places are boring. The logical next step is that companies should consider museums as a worthy recipient for arts sponsorship. Citibank obviously thinks so—it is sponsoring this event.

The fact that 30 new museums open each year suggests a healthy interest in this sector. Some of the new ones want to shake off the old description, which deters so many potential visitors: phrases like "socially-motivated businesses" are mooted. But museums are stuck with the designation, and must ensure that their fresh and entertaining approach will convert the public to their attractions.

Today's museums can be very lively places. In one of the most successful new ones, the Jorvik Viking Centre in York, visitors observe the exhibits from a mobile "time car." A total of 800,000 should enjoy the experience in its first year of operation, making it one of the top ten admission-charging tourist attractions in the country.

Its well-established competitor in Hampshire, the National Motor Museum in Beaulieu—which has 500,000 visitors a year—is this summer introducing a similar concept—a travelling "pod" which will whisk the public past a hundred years of motor history in a new attraction called Wheels.

Beaulieu has been going for 30 years and is aware of the need for constant innovation. Wheels is costing £1m, but the Kennell motor group is making a major contribution. Beaulieu has discovered that while tourism is growing slowly the number of attractions on offer is increasing very rapidly.

And museums are not only in competition with other museums. The good weather last summer made the beaches a rival; in the winter the DIY boom siphoned off potential customers.

Where one touches a popular nerve it quickly prospers. In

recent years industrial museums have become immensely popular, not least those based on defunct coal mines. Two already attract good attendances, and a third, Capthorne Colliery in Wakefield, should open next year, with local authority aid.

One of the earliest and most successful industrial museums is at Ironbridge Gorge, in Shropshire, which, from one small building in 1959, now has six distinct collections stretching down three miles of a river valley which can claim, with some justice, to be the birthplace of the Industrial Revolution.

### Awards

Ironbridge has raised many millions in sponsorship over the years, with Shell a major contributor, and now attracts 300,000 visitors a year. More to the point, it generates over 80 per cent of its revenue through its own efforts.

Ironbridge is now being challenged in prestige, and awards, by the Quarry Bank Museum, in Cheshire, a 200-year-old mill which has been brought back to life. Visitors can buy its cloth, and its success won it the Museum of the Year trophy in 1984.

But echoes of bygone industry need not stretch back to the historical past. A venture devoted to early computers is already being planned.

Some industries are in danger

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Boats afloat in the canal basin at Exeter Maritime Museum can be boarded and explored. In the background is Brunel's dredger Berta, the oldest working steam boat in the world

of over-supply. There are almost 100 museums built around the British love of railways, and 40 devoted to the motor car. Still on the theme of vehicles, one of the major new museums to open last year was the multi-million pound National Motorcycle Museum, adjacent to the National Exhibition Centre in Birmingham.

In the south, the success of the Mary Rose project, which has attracted 200,000 visitors to a display of the finds in its first year, has spawned a rash of nautical and dockland museums, not least in London's dockland where the Museum of London and the National Maritime Museum, both plan to open satellite centres.

But the boom in small museums catering for popular nostalgia about country life may be over—the Countryside Collection, in Marham, Norfolk, which attracts 20,000 visitors a year, is up for sale.

In contrast, the Weald and Downland Open Air Museum in Sussex, which, on a 40-acre site, displays rural buildings, many saved from demolition elsewhere, has proved a great success, with 179,000 visitors last year.

Competition for the visitors' limited cash means that only those developments which can offer a fresh and unusual experience will prosper. But even they would like aid from sponsors.

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## MUSEUMS AND GALLERIES - 2

### Galleries well placed

BY COLIN AMERY

GALLERIES ARE for two kinds of people — those who collect and those who like to look — and these two distinctions apply to both the public galleries and private commercial ones.

The major public galleries are the main sources of our knowledge about art but they are essential also for the art market — their exhibitions can often decide the price. The smaller commercial galleries are also sources of information for anyone interested in painting and sculpture, but it is important to remember that their first interest is the market.

London is one of the two most buoyant markets for art in the world. The other is New York but somehow London has the edge, because of its proximity to Europe and the cultural links with former colonial territories that are now providing well-heeled customers in London — from the Middle East, Hong Kong and Singapore.

The strategically-placed auction houses Sotheby's, Christie's and Phillips are the focus for the market — almost everything depends on them.

While there can be no doubt that the Museum of Modern Art in New York acts like a stock exchange of artistic values with a commercial bias, in Britain the public galleries play a slightly more subtle role. They maintain standards of scholarship and add, where finances permit, to their collections.

They also add to their premises — indeed at present there is a spate of building activity. The Tate Gallery has announced definite plans for a new "Tate of the North," to be built in converted warehouses on the Albert Dock in Liverpool. This £9.5m scheme is to be funded

in two stages by Merseyside Development Corporation and the Office of Arts and Libraries and a substantial sum (£1.5m for the first phase) to be raised by the Trustees from private sources.

The architect is to be James Stirling who has already designed the Clow Wing at the Tate in London — this exciting addition is designed to house all the Turner pictures and is expected to open in April 1986. On the remainder of its site the Tate has long-term plans to build three new extensions: a gallery for contemporary sculpture, one for the "New Art," and a special building for art of the twentieth century. A new library and publications section is also a part of this plan which covers the next 15 years.

#### Plans

The National Gallery has not been so fortunate with its plans for an extension. The recent architectural competition has ended in a stalemate and it is likely that the Trustees will revert to the original idea of building an extension to occupy the whole of the site owned by the Gallery and not let a commercial occupier take up more than half the space with offices.

Funding an extension that is entirely gallery space is likely to be the most difficult problem facing the Trustees but they are clear that only with a new extension can a proper re-hang and reordering of the existing galleries take place.

There are still tentative plans for a new National Portrait Gallery to be built on a site near the Festival Hall on London's South Bank. If this was to happen the National Gallery could take over the

space currently occupied by the NPG and utilise all the available gallery space.

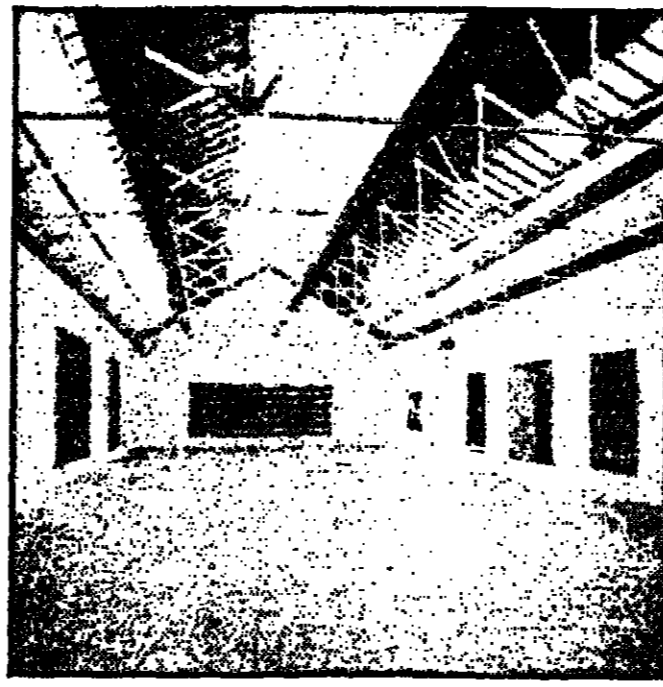
In 1986, the Whitechapel Art Gallery proposes to open extended premises with excellent new facilities designed by the architect Alan Colquhoun. Also in London, there are plans to design a new headquarters for the Conran Foundation — at present based at the Battersea house at the Victoria and Albert Museum — on a new site at Butler's Wharf in the Docklands.

The Conran Foundation's particular concerns are with the history and development of design and industry and it looks well set to take over in this field from the established Design Centre. Design is no longer a fringe area for the art market — there is a growing interest among collectors in the artefacts and designs of the nineteenth and twentieth centuries.

Outside London, the movement of the Government's resources into regionally-based areas of growth has meant that there is encouragement for new buildings, provided funding can also be raised locally. The recently-enlarged Museum of Modern Art in Oxford is a good example of local enterprise.

The buoyancy of the London art market has been considerably encouraged by the rising value of the dollar — some commercial galleries report a four-fold increase in turnover in the past year. American collectors seem keen to buy almost anything and London scores here because the market is less susceptible to fashion.

For example, there is more scepticism here about the "new art" — work of German and Italian expressionists who are



The newly-opened Saatchi Collection, in London, concentrates on a relatively small number of artists, with minimal art forming the core of the collection

boosted by New York collectors and galleries. The influence of major collectors such as the Getty Museum cannot be underestimated — and their demand for "blue-chip" art has strained the top end of the market.

"New" collecting countries such as Australia and new museums that burgeon all over America ensure a constant demand and matching high prices for all forms of fine art. Several London dealers are now investing in high-quality decorative arts — furniture, metalwork and textiles — with half an eye on the Getty's expansion in that area.

One remarkable example of shrewd collecting has produced the first large-scale private gallery devoted to modern art to open in London for a long time. The Saatchi Collection of con-

temporary art has been put together over the last 15 years by Charles and Doris Saatchi. Spending something like \$2m a year, they have assembled a major collection that now has its own gallery in St John's Wood.

They have a definite preference for the kind of modern art loved by the New York market and they clearly hope to influence official collectors like the Tate by suggesting the directions in which contemporary collecting has gone.

Art collecting has always been subject to fashion but it is also true that only real quality lasts. Much contemporary art will undoubtedly end up in the basements and stores of public collections. Market trends are not always a guide to quality and we are often the worst judges of the art of our own time.

### Vikings return to York

BY ANTONY THORNCROFT

ARCHAEOLOGY is an increasingly popular interest but one that has not been served by museums in the past — rows of flints and shards in glass cabinets is the traditional display. But the Jorvik Viking Centre in York has built one of the most successful, and innovative, of museums around the findings of an archaeological dig.

As it approaches the end of its first year, Jorvik is already among the top ten admission-charging tourist attractions in the country, with more than 800,000 visitors, as against a first-year target of 500,000.

It combines historical rectitude — with the exhibits coming from the five-year archaeological dig on the Coppergate site that it occupies — with the most sophisticated presentation methods: visitors journey into the past on electronically guided "time cars."

York, in the tenth century, was the most important Viking city in Britain. Just how flourishing it was archaeologists discovered when they investigated the Coppergate site in the heart of York, just before a new shopping centre was built there.

Four rows of buildings were unearthed, together with many thousands of objects, and the York Archaeological Trust decided to preserve the find for future generations. About £2.6m was raised to construct a museum over the site.

After an introductory display, which aims to dispel the myths about the Vikings, the visitors board a four-seater "car" which sets off down the time tunnel, passing a procession of figures which evoke the past, from the Second World War back to Norman times. Then a full-scale reconstruction of Coppergate in Viking times is reached. There is a street scene with market stalls and craftsmen, the interior of a home, and a river wharf with a sailing ship.

#### Atmosphere

For added atmosphere there is a sound track in Old Norse and a concoction of the smells of the time — from fresh apples to sewage. The "car" then passes the archaeological dig, with the original timbers as discovered by the excavators and now preserved.

After their 15-minute journey "through time" visitors are encouraged to see the archaeological laboratory where conservation continues, and a display of 500 of the 15,000 objects unearthed by the project.

Jorvik is a mixture of the educational and the commercial. York Archaeological Trust is registered as a charity, but a separate subsidiary, Cultural Resource Management, was formed to exploit the museum. It offers design, marketing and operational skills to other heritage projects, runs two shops, and produces a mail order catalogue of gifts with a historical bias. Turnover of CRM was £2.2m in the first year and its profits go back to pay off the loans and for archaeological research in York: three important digs are under way this year.

The York Archaeological Trust asked visitors to the excavations what they were particularly intrigued by, and the museum was constructed in response to popular appeal. Hence the concentration on everyday life and such exhibits as pieces for board games, jewellery, and the bric-a-brac of the home, and also human excrement — rich in bran and full of intestinal parasites eggs.

Ironically the most important find on the site, a warrior's helmet, dates from Anglo-Saxon times and does not qualify for the Jorvik, but a hologram is on show on the exact spot where it was excavated.

One other key discovery was a mint, with two iron dies for striking silver pennies. An identical mint has been reconstructed in the museum and the visitors can strike their own Viking coins.

By bringing modern marketing methods to concentrate on a local past the Jorvik Viking Centre has touched a popular vein. The fact that the revenue goes back to archaeological research must also appeal. The first year has been a great success; the challenge will be to maintain the momentum.



Visitors to the Jorvik Centre "time travel" through the past to reach the display, which has sounds and even smells of the Viking era

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Realistic mock-up of a World War I battlefield trench at the Imperial War Museum

### Showing horrors of war

BY ANTONY THORNCROFT

THE IMPERIAL War Museum has just launched a redevelopment programme which will cost £20m and take ten years to complete. It will completely transform the building (the old Bedlam mental hospital), and provide a new restaurant and shop and an educational centre for the 100,000 children who visit annually. Space for exhibits will be more than doubled.

The building's fabric will be repaired and for the first time in a museum devoted to the horrors of war there will be access for the disabled.

In the first stage the museum is appealing for £2.5m. If it can raise this sum the Government will provide £6.5m so that the major reconstruction, doubling the area for exhibitions, can start in the summer of 1986. Already two generous benefactors have helped bring in £1m.

The museum has a strong case for extra resources. When it moved to its present Kennington site in 1936 it had mainly to display the history of the First World War. Now the collection must encompass — with no increase in area — another world war and many minor conflicts.

Its problems have been eased by the establishment of three thriving satellite museums at Duxford Airfield, HMS Belfast, and the Cabinet War Rooms, but more than any other major museum it has many items it cannot display — less than a tenth of its material is on show.

Where important objects are accessible they often have to be poorly mounted: a V2 rocket for example, is unimpressive on its side when it should be standing upright.

The Imperial War Museum also has a major educational role since 20th century history is now a popular subject, and war sums up much of 20th century history. One aim of its director, Dr Alan Borg, in his new museum is to create a third area of display, between the popular exhibition spaces and the specialist libraries, where keen amateur students can, for example, view hundreds of medals or cap badges in concentrated exhibits.

#### Encourage

For its part in the fund-raising, the Museum is encouraging but not forcing its 800,000 visitors a year to pay £1 on admission. After the first few weeks the museum reckons it will raise at least £100,000 this way.

It is also fortunate that its outlying museums are small profit centres rather than loss-makers, with a total attendance approaching 800,000.

While its major pre-occupation must be its rebuilding programme, the Imperial War Museum suffers like all the nationally-funded institutions from a lack of resources. It receives, net, about £4m a year, but it has always had a pittance for purchasing purposes — £100,000 for the forthcoming year, and is expected to depend

on gifts to expand the collection.

Sometimes it is fortunate — it has on loan one of the two VC won in the Falklands campaign, but it still lacks a Second World War VC, and with their price at auction ranging up to £50,000 for an important medal, it would find it hard to bid in the saleroom.

It also finds the Government's reluctance to give "real" rises in grant a constant debility. It has had to shed 30 custodians in recent years, which puts the collection at risk. It cannot run its film department as efficiently as it would wish and so loses business on what should be a profitable part of the Museum's activities.

It is finding that some documents, on poor wartime paper, are actually disintegrating before they can be conserved.

Above all, Dr Borg believes the constant holding of the national museums on a short financial rein means that there is little movement in personnel, little opportunity for enterprise.

Given the probability that Government aid is unlikely to rise in the next few years the big national museums, and art galleries, are to be congratulated on their ability to raise money from benefactors, sponsors, and their own marketing efforts, and on their general acceptance now that their job is to inform and entertain the public rather than simply act as custodians of historical objects.

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## PROPERTY

### Stately homes of France

**June Field looks at  
why business in  
chateaux could be  
booming**

WHAT IS a chateau worth? The French have been rather slow in exploiting their historic houses as revenue-producing businesses, but are at last following the example of those great survivors, the British aristocracy.

If you are looking for a stately home across the Channel to turn into a business centre, an hotel, a timesharing complex or as a site for development, the properties are available.

Take, for example, Le Vieux Chateau at Bergem, an hour from Nice, Cannes and St Tropez. It went up for sale last spring at about £2m. But

#### YOUR GUIDE TO BUYING

● **DECIDE** how isolated you really want to be. A hamlet can consist of less than five houses. On the whole, chateaux are more cut off from local life than English country houses, and some have not been properly lived in for years. Some of the British retired couples I met found the solitude of the French countryside all together too hard to take, and were trying to sell up and come home.

● **REMEMBER** that any heating, whether in vast home or cosy cottage will often be by wood-burning fires—all very romantic, but not always sufficient for those accustomed to the luxury of full central heating.

● **CONFIRM** whether any asking price includes the estate agents' commission, which by custom in France is usually split between seller and buyer.

● **TITLE** must be clearly established, as the Code Napoleon gives all children the right to an equal share in an estate. ● **BUYING AT AUCTION** has to be done through a French lawyer who bids for you, and has to be in possession of a certified cheque or bank guarantee for the whole of the disclosed reserve price.

In today's variable market in France even unique houses do not sell readily, so the figure has been reduced to £1.4m.

The combination of ancient and modern has been skilfully achieved. You eat in the original 12th century chateau-kitchen with its ancient beams, flagstone floor, massive walk-in fireplace and bread-oven.

But through the double-oak doors where the cooking makes full use of the wild herbs that flourish in the hills, it is contemporary Provencal, complete with local tiles and copper pans among the batterie de cuisine.

The main portion has been created from the ruins of the 12th century seigneurial chateau, part of the original fortifications of the village.

The castle was built for the Count of Villa Nova from Barcelona, the family becoming

the Villeneuves, feudal lords equerry to the French court. They abandoned the place after the Revolution, when it fell into disrepair, and the villagers moved in.

After World War Two, two Frenchmen converted parts of the castle, one having to trace over 20 inheritors before he could acquire ownership. In 1974, full reconstruction was taken on by Elizabeth Collins, widow of Douglas Collins, one-time head of the Goya perfumery company.

The old chateau has become a family home, combining comfort and panache, with Roman columns from Nîmes as dividers in a sitting-room whose flagged white stone floor was rescued from a ruined medieval convent near Paris. Its farmhouse, just below the ramparts, has a terrace of cobbles from the old port of Toulon, with mulberry trees that have been there since the district supplied silk to Lyons.

The setting is pine and oak forest where orchids and mushrooms grow, and you can hunt wild boar and fish in the lakes. The air is clear and pure, and the thriving village of 1,000 people has a mineral spring plus a clinic for those with respiratory ailments.

British agent Garry Nathan, Allen Bates and Company, 10 Green Street, W.1, says it should appeal as a private home, as a business centre, or to someone who wants to develop the land. The vines produce about 2,000 litres of wine, and 400 litres of oil are

### Arthur Smith on a buyer's market on the Med Englishmen's castles in Spain

**RIK POLANSKI**, from America's mid-west, is a large-tall-life figure. At 21 he got bored with teaching English literature at a Nebraska school and moved 16 years ago to Mojacar, a remote coastal village in southern Spain. He failed as a bull-fight promoter, but made his fortune in land.

Now with a sweep of his arm he can indicate the acres of scorched but prime building land he owns fronting the Mediterranean in a rapidly developing resort.

Polanski has been building villas mainly for the British for a decade now. Sir Michael Edwards was one of his early clients. More recent is Glen Hoddle, the Tottenham and England footballer. There are also doctors, solicitors and businessmen. This is the land of the expatriates. Agents are more likely to be refined Eng-

lish than rural Spanish; the conversation about cricket rather than bull-fighting.

For the British investor Mojacar remains a buyers' market. There is a whole range of modern property from the studio-type flat at £11,000 and the £20,000 two-bed apartment through to Polanski villas selling at £35,000 with three bedrooms, two bathrooms, sea views and a density of only two to the acre.

The area is noticeable for the pace of development activity, the half-finished buildings and for sale boards. The market for old properties is as open: "Most of the locals would sell their house because it is worth more than they could ever dream of earning," says one property expert.

Mojacar, in Almeria, the driest province of Spain with only 22 days of rainfall a year, has the

climate for the holidaymaker. The arid terrain looks like cowboy country Mexican style. Polanski says he recognised the potential of Mojacar a decade ago and began buying land as fast as he could. "I have investigated the whole of the southern coastline and there is nothing to compare."

But the key to the value of new property is probably held by Horizon, Britain's third largest tour operator, which in a move watched with intrigue by the travel business is diversifying at Mojacar into residential property development. Horizon is the sole developer.

Work has already started on the beachside Indamar complex offering 47 two-bedroomed apartments, completely furnished at £37,500 each. Another development, the Indasol complex, slightly back from the beach



Chateau Guilguiffin in Brittany. To fund the purchase, shares in Court Barton Developments are being offered (ring Michael Burton, Court Barton, South Hams, Devon 0548 561919, or through stockbrokers Earnshaw, Hues and Sons 01-388 5699)

extracted from the 330 olive trees.

Lawyer Philip Hawkes and his wife Patricia live in the Chateau de Missery in Burgundy. They run Hampton and Sons' French property department from 19, Avenue Franklin D. Roosevelt, Paris, and report a fair number of buyers around, French, American and English.

But they are all looking for properties of exceptional quality. Best buys are houses classified monuments historiques, equivalent to the British Grade I listing, which qualifies owners to tax concessions; a supplementary listing could attract a grant. Regarded as a snip at £5,500,000 is the Duc de Maille's 15th century Chateau-neuf-sur-Cher in 30 acres 15 miles south of Bourges. It has 50 rooms, including a splendid white and gold paneled grand salon.

In France, only a handful of historic houses remain as complete entities, retaining furniture originally designed for them. Well established of course are the Relais de Campagne, association of luxury hotels, some of which are chateaux, or at any rate grand houses.

The Chateau de Remalml, Picardy, was bought by Laura and Bernard Ashley to restore as a home, conference centre, and to photograph for their world-renowned fabric and furnishing catalogues.

In 1981 they put it on the market at £7.5m, but it was finally bought within the company. A transport company uses the creeper-clad Chateau de Beauchamps, near Le Mans, as an entertainment centre.

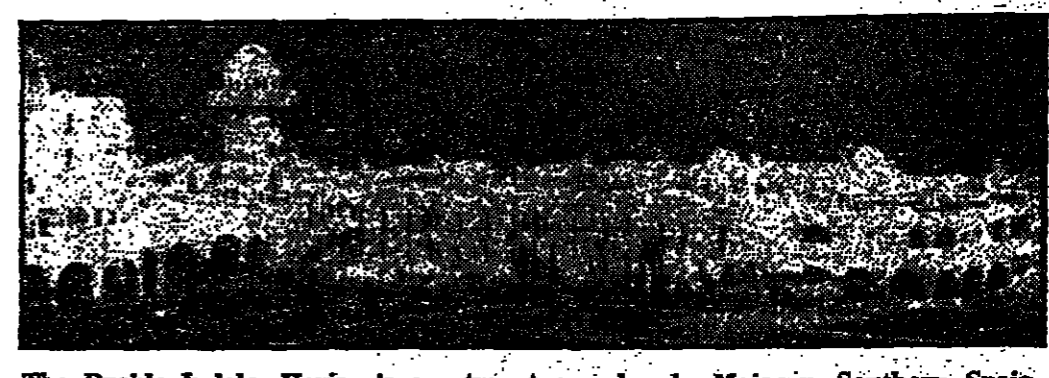
Timeshare is another possibility, and Court Barton Developments, with its success-

ful operation in Devon, is buying Chateau Guilguiffin in Brittany to promote something similar in France.

To fund it, Court Barton Developments is issuing shares—a minimum of 3,000 at £1.25p each—through stockbrokers Earnshaw, Hues and Sons.

The company believes that the shares will prove a rewarding investment, and also draw attention to the shareholder perk of free occupancy if there is spare capacity in Guilguiffin, Court Barton or any future developments—the next one is likely to be in the Alps.

Two-thirds of the money required is already subscribed. It is important to appreciate that this is an investment in a property development company rather than a timeshare scheme as such, and that work has to be done on Guilguiffin and its cottages to give it the Court Barton quality.



The Pueblo Indalo, Horizon's apartment complex in Mojacar, Southern Spain.

will provide 35 units selling at £35,000.

Horizon's move is logical given its dominance in Mojacar. It already owns the two main hotels, the 147-room El Moresco in the old village and the 308-room beachside Indalo.

More enterprising is the sea-front Pueblo Indalo complex of rented self-catering apartments. The dramatic development, with the appearance of a traditional Moorish settlement but offering all modern facilities,

is recognised within the region as a move to pitch the resort up-market.

Some 275 apartments became available last year and another 275 are due for completion this summer.

Brian Harvey, Horizon consultant for the property development, brushes aside the views of sceptics who argue Horizon might be oversupplying the market.

He says requests from Pueblo Indalo visitors to purchase their

apartments made it clear to Horizon that it could succeed with property development.

Horizon is offering a lease-back option under which an apartment owner can nominate six weeks for occupation but allow the tour company to rent out the remaining 46 weeks.

On his holiday brochures, Horizon in return will offer a package worth more than £2,400 a year, including free service charges, maintenance and eight free return air tickets.

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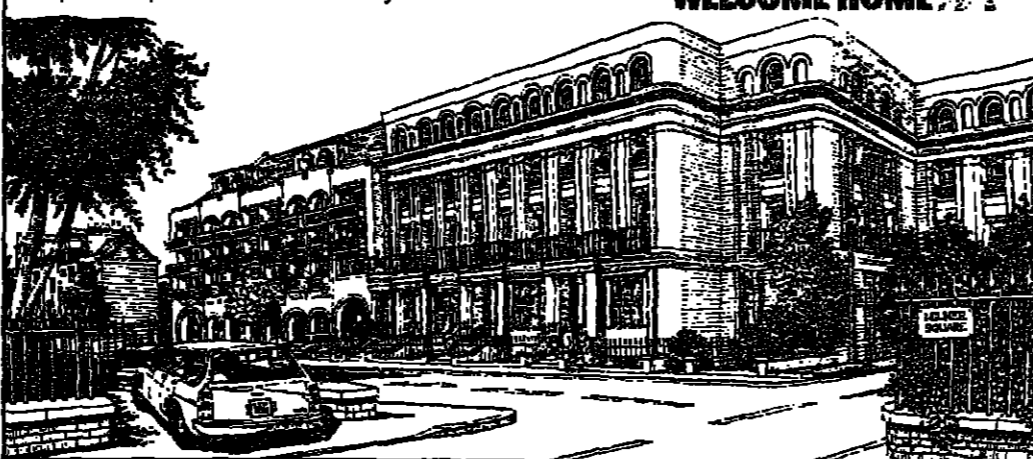
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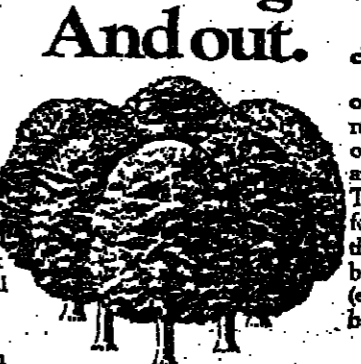
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## BOOKS

## Orwell as broadcaster

BY ANTHONY CURTIS

**Orwell: The War Broadcasts**  
edited by W. J. West. Duckworth/BBC. £12.95, 304 pages

Like the last years of Shakespeare, George Orwell's years as an employee of the BBC, have generated much speculation as to their influence upon his subsequent work. How much of 1934, for example, was inspired by his day-to-day life as a wartime servant of the Corporation? It seemed as if the facts were buried for ever in the vaults of the BBC and probably at this distance of time not fully recoverable. Happily this has been dispelled by the patient research in the Written Archive of W. J. West, a bibliophile and scholar, who has succeeded in disintering all the scripts that Orwell wrote together with those he commissioned from other people and all the correspondence, internal memoranda and directives that were connected with them. A swathe of this material (his war commentaries will form a separate volume) is printed in *Orwell: The War Broadcasts* with a substantial introduction and a full set of footnotes identifying all the broadcasters and officials.

The result is a most interesting book which not only adds significantly to our knowledge of Orwell but also re-creates at first hand the grim purposeful mood of Britain between Dunkirk and D-Day when radio was the mouthpieces of the nation.

Orwell was a Talks Producer in the Indian Section of the BBC's Eastern Service from August 1941 until November 1943. His starting salary was £690 and his office was at 200 Oxford Street where the whole of the Eastern Service was housed. In the early part of the second world war there was great concern in Britain about the effect which Nazi broadcasts to India were having on the precarious balance of loyalty in the sub-continent. To start counter-measures was an urgent priority for Brendan Bracken when he succeeded Duff Cooper at the Ministry of Information. Orwell, who had previously made one or two broadcasts as a freelance, was invited to join the staff as part of the shake-up that Bracken brought about.

If he had been recruited to manufacture propaganda Orwell would not have accepted. He had the more congenial task of

establishing a kind of cultural hot-line to students of the Punjab and other universities and to give educated Indians an accurate account of the progress of the war and life in Britain. These general guidelines allowed Orwell considerable scope in devising series of programmes on literary and scientific subjects and in using people he knew personally or whose work he admired.

Orwell was a very good producer, both in the administrative and in the creative aspects of the job. His letters and instructions to his artists are admirably clear, courteous and to the point; the scripts of his



Orwell: talking to Swift

programmes come off the page in a lively style even now, with all his genius for making one profound point simply and inconvincibly. If one might have expected him to write well on a play by Shaw, he is equally perceptive on one by Wilde.

He clearly wished to be as eclectic and as wide ranging as possible and for one weekly series he organised a long short story to be broadcast serially written by five different authors. He wrote and broadcast the first part himself, brilliantly setting up an episode in the London blitz where a man finds his bitter enemy lying in the rubble at his feet needing only one quick blow to kill him. . . . Part two was contributed by

L. A. G. Strong who contrived to save the victim from death; part three by Martin Armstrong, and part four by Inez Holden whom Orwell had known through his period in Spain and who could not resist introducing a Civil War theme into the story. The final episode was in the hands of E. M. Forster who wrote:

Dear Orwell,  
This is scarcely my cup of beer, but I should like to have a try. Yes—the theme has been badly messed about, especially by the Spanish expedition, and I am afraid that any denouement will seem unreal, and can only be handled "cleverly." I have an idea and will do my best with it.

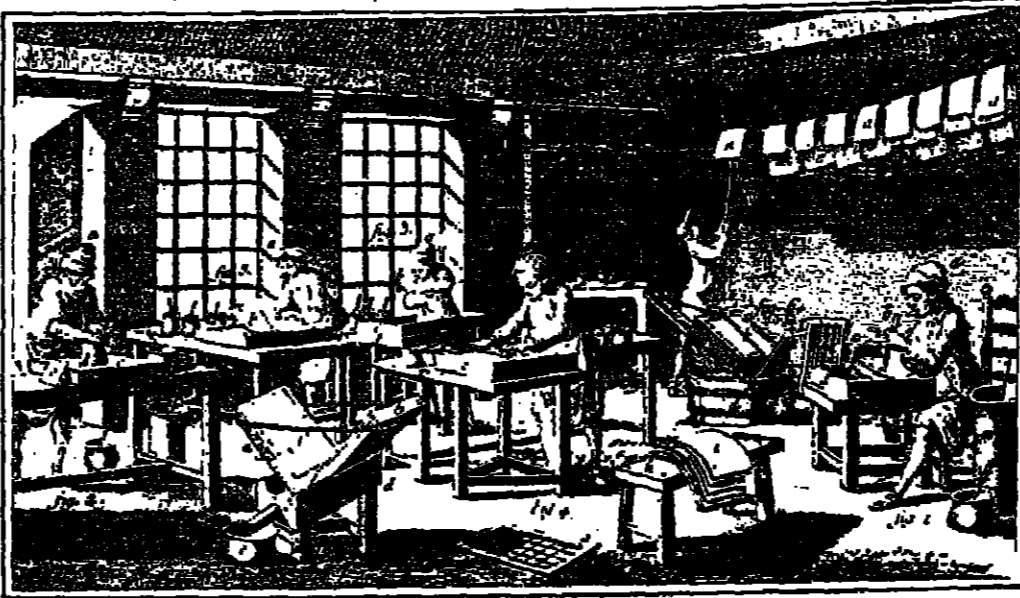
Apart from this contribution Forster gave a regular book talk which Orwell produced and the correspondence between the two of them, largely concerned with which newly published books Forster should discuss, is included here at length. If Forster was the most eminent writer employed by Orwell he tops an impressive list which includes William Empson, Edmund Blunden, T. S. Eliot, John Lehmann, T. C. Worsley.

Orwell paid as much attention to poetry as to prose. He arranged discussions of new work for which conversation had to be scripted in advance. This involved him in the labour of putting words into the speakers' mouths, so as to say, and then getting them to approve them. He had several Indian colleagues in his team, notably the novelist Mukul Anand.

Among Orwell's own broadcasts printed here the greatest interest attaches to an imaginary conversation he wrote between himself and Swift conjured back from the dead, with a discussion of *Gulliver's Travels* and to two story adaptations, Anatole France's "Crainquebille" and Shon's "The Fox"; the latter, which preceded *Animal Farm* is a study in betrayal with a pig farm as its setting.

When he broadcast he always called himself Orwell, but some of the letters are signed Eric Blair. As the book progresses the Orwell persona seems to take over completely, and alongside this confirmed sense of identity there is growing dissatisfaction with the work he is doing and the restrictions imposed on him from above.

Every script had to be cleared once but twice for both policy and for security. The censors who operated from the University of London's Senate House in Malet Street were required to rubber-stamp his work before it could go out. No prizes for anyone making a connection with the Ministry of Truth in 1984. By the end of 1943 Orwell had had enough and handed in his resignation to resume the life of a freelance writer. But, as we can now see, thanks to this admirable compilation, Orwell's years in radio were important to him and left their mark on his later and best-known books.



An illustration from the "Encyclopédie, 1765" edited by Diderot and d'Alembert. It is a paper marbling workshop, reproduced in *Gabrielle Grisebaum's "How to Marblize Paper" (Dover/Constable, £2.50)*. Basically the same techniques are used today as they were in the 18th century. The book contains step-by-step instructions for making 12 traditional patterns

## Press gangs

BY GODFREY HODGSON

**One Hundred Years of Journalism**  
edited by Cyril Bainbridge. Macmillan Press, £22.50, 166 pages

**The Power of the Press?**  
by Louis Heren. Orbis, £10.00, 208 pages

**The Thomson Empire**  
by Susan Goldenberg. Sidgwick & Jackson, £10.95, 296 pages

**Garvin of "The Observer"**  
by David Ayerst. Croom Helm, £22.50, 304 pages

In the past twenty years there has been a vast increase in the attention paid to journalism in this country. Journalism schools have come into existence, while at the same time media studies have proliferated in many universities and polytechnics.

Books about journalism, communications and the media now form a significant proportion of any publisher's list. In my own mind I divide them into two categories: journalism studies, and media studies. Media studies are about how and why those unscrupulous journalists are lying to us. Journalism studies are about how journalism might be a little less bad.

In those terms, all four of these volumes ought to be part of the curriculum for journalism studies. The Cyril Bainbridge volume, was issued to commemorate the centenary of the Institute of Journalists. Its core is an interesting history of the Institute by Bainbridge, an assistant managing editor of *The Times* who was president of the Institute in 1978.

It should prove a useful textbook for teaching journalism students the history of their profession, and in particular teaching them how recent, and in some ways fragile, its claim to be a profession is. I liked the quotation from an 1897 maga-

zine, for example:

A reporter for a weekly paper seldom receives a higher weekly wage than is paid to a journeyman printer and frequently he is expected to assist either in the business department or the composing room.

It includes brief essays by Lord Goodman and other great men who take an interest in journalism. The most topical is by Lord Searman, which contains a strong condemnation of the official secrets act.

Louis Heren, former correspondent of *The Times* in Delhi, Bonn and Washington, and deputy editor before the Fall, has written two books about the United States and two admirable volumes of autobiography. His outline history of newspapers starts awkwardly, but then picks up pace and spirit. His publishers are to blame for the excessive number of typographical mistakes. That would never have happened in *Printings House Square*.

It is notable for pithy portraits of some of the great robbers of the nineteenth century press, from Barnes, the original Thunderer, who "lived with another man's wife, who was said by Disraeli to look like a pantomime dame" and drank gin at his desk, down through Northcliffe and Beaverbrook, Colonel McCormick backing the United States to repel an invasion of redcoats, and Rupert Murdoch leading one from Down Under.

Louis Heren's favourite is James Gordon Bennett, who started in a Roman Catholic seminary in Aberdeen and ended as the owner of the New York Herald. He describes them all with affectionate amusement, and ends with robust optimism about the future of newspapers, provided they can find barons to own them—"barons who love newspapers and balance sheets—but in that order."

Roy Thomson certainly loved

balance sheets. It is said that they were his principle—malicious spirits even whispered his only reading. Yet he was a baron who permitted rich journalistic quality to flourish under his ownership. Susan Goldenberg has written a business history of the empire he created, and which has been expanded by his son.

She is interested in the Thomson enterprises because they are on the whole profitable, and because they are Canadian, whereas we in Britain are on the whole more interested in two of the less profitable properties—*The Times* and the Sunday Times.

Ms Goldenberg is an omnivorous and careful reporter, however, and her book is enlivened by one or two memorable portraits, such as that of Sir William Rees-Mogg "sitting on a candy pink chair in the study above his bookshop with a portrait of Alexander Pope gazing over him," and the occasional sharp quotation, such as one from Kenneth, second Baron Thomson in the peerage of Great Britain: "I never understand why you English hate each other so much!"

Perhaps the most substantial of these four books, however, both for journalism studies and for the political historian, is the life of J. L. Garvin by David Ayerst, a former reporter and leader-writer on *The Guardian*. I say substantial, but it is a book of well under 400 pages, and I wish it had been longer. I would have been happy if Ayerst had enriched his account of Garvin's own life with some what more of the "times" in which his work was done, because Garvin was a journalist whose pre-eminent gift was for analyzing and explaining the political situation, and in many instances that is now too remote for us to understand. This is, even so, an excellent account of the inner logic of Garvin's trajectory from radical to conservative.

## Heart breakers

BY JOHN LEHMANN

**Loved Ones**  
by Diana Mosley. Sidgwick & Jackson, £12.95, 224 pages

Lady Mosley has done a "rescue operation" on her memory, and come up with a netful of "pen portraits" of people who were particularly fascinating to her or significant in her life. She doesn't have the skill with words of her sister Nancy Mitford, and she doesn't manage to tell us anything very new about Lytton Strachey or Evelyn Waugh, neither of whom she knew for very long; but when she comes to people with whom she had a more enduring association her portraits are often lively, affectionate and memorable.

I was especially pleased to find a chapter on Violet Hammersley, who was a great favourite with all the Mitford children, and adored by the Lehmann children, too, at the same period in our lives. Lady Mosley says that she made our family seem very glamorous and intellectual, but can Violet Hammersley, who was a Mitford, have been so much more than a Mitford to us, glamour surrounded her figures also.

Mrs Hammersley (Mrs Ham to the Mitfords) is a difficult person to bring to life, and I think Lady Mosley only partly succeeds, although her portrait is Mrs Ham was amusing in her own special way, full of affection and loyalty towards her friends but possessed by a deep basic gloom about her own affairs and the state of the world, often of almost comic intensity. If she found out that one had been seeing someone prominent in public life, she would draw one aside in the hope of hearing some "inside" story even darker than what was in the newspapers. All this Lady Mosley brings out well, but what she fails to reproduce is an impression of the brilliant impersonations, of the utmost dramatic verve, which Violet would launch into in the middle of a story she was telling.

Unlike Violet Hammersley, who longed to be an author but had no real gift for the written word, Gerald Berners created works in both music and literature which will keep his memory fresh. His *A Distant Prospect* is an enchanting chapter of autobiography, and *Wedding Bouquet* a unique comic ballet in which Berners, Ashton, and Gertrude Stein collaborated in perfection, though Lady Mosley

is quite unfairly disparaging about Gertrude Stein. But her piece on Lord Berners is one of her best, bringing him and his eccentric habits vividly and entertainingly to life. She says of him: "He was fortunate in that he had enough money to live in comfort and surround himself with beauty, but he was not immensely rich." As Lord Berners had a beautiful estate in Berkshire with an elegant house filled with treasures, a house in London and a smart place in Rome, one wonders what Lady Mosley considers "immensely rich." Perhaps only the owner of Chatsworth qualifies.

Lord Berners had an engaging vein of frivolity, as when he put a notice on the dining room door of Faringdon No. 10. Admitted, but two feet from the ground, so only dogs could read it. Not so the rich, brilliant, irrepressible heart-breaker, Derek Jackson, married to Lady Mosley's sister Pamela for 15 years, who was a deeply serious seducer. He was given to violent outbursts and cracks, not all of which, as related by Lady Mosley, show him in an altogether sympathetic light. He had a habit of hugging and kissing jockeys when he was excited by the way they had ridden, but he once angrily called two of them "unpleasant little dwarfs" when he overheard them criticizing his own riding.

Lady Mosley ends her book with a long chapter on Sir Oswald. Referring to his autobiography and Robert Skidelsky's book, she says, "All that seems necessary is a short account of the man himself in private life."

Unfortunately she cannot keep to that, for her account of him turns into a long and bitter diatribe against the authorities for having kept them in prison during the middle years of the war under 15 B. She is particularly indignant, because they had made it clear they would fight to the death if England were invaded, but were in favour of a negotiated peace. It is difficult to imagine what negotiated peace would have been possible at that period that would not have left continental Europe under a bitter effective control, that is, of one single power—something always unacceptable to British strategic thinking.

I am sorry that Lady Mosley did not include a "pen portrait" of the novelist Henry James (Green), whom she knew well and who was a loyal friend and very fond of her.

## Winged victory

BY DENIS RICHARDS

**The Right of the Line: The Royal Air Force in the European War, 1939-1945**  
by John Terraine. Hodder & Stoughton, £14.95, 841 pages

The title of this work, *The Right of the Line*, more immediately suggestive of armed array in the 14th century than aerial operations in the 20th, implies high commitment. The author submits that during 1939-45 the Royal Air Force, by acting as the "vanguard" of British arms and occupying the "place of greatest danger," in effect held, in the old phrase, "the right of the line, the place of honour."

In his first book on World War II John Terraine unquestionably displays all the gifts that have made him an outstanding historian of World War I. He has the rare gift among historians of being highly readable. In particular he is adept at weaving together a great number of aspects and facts in an organised and intelligible way, so that a large, complex tapestry preserves a clear, unimpaired design. Here he ranges competently not only through operations, operational policy, high strategy, Air Staff "doctrine," personal relations and the like, but also through the less exciting but equally important "infra-structure" of equipment, training and organization.

Though wide-ranging and full of information and interest, the book is not without flaws. In particular, it appears that at some stage the wealth of material got out of hand. If the initial project was to write a one-volume history of the RAF in World War II it is a great pity, as the author fully and regretfully acknowledges, that growing length precluded any account of activities in India and South-East Asia. The "Forgotten Army" of the time now has a companion in the Omitted Air Force. Perhaps a more serious flaw is that the treatment of the early trials and tribulations is on such a scale as to prevent comparable notices of later triumphs. The later chapters are summaries of great skill, but the disparity of proportion still obtrudes. In this blockbuster of 887 pages of text (plus 152 of notes, index, etc.) 670 are devoted to events up to September 1944, leaving hardly any space at all to record adequately the final achievements.

Another big flaw seems to arise from the reluctance of the author, as a humanitarian, to concede any achievements for areas bombing or, as a military historian, to approve what at one point he calls Bomber Command's "private war." As a student of war he is well aware of the classic recipe for victory—the concentration of a decisive force at a decisive place at the decisive time—and whereas Overlord represented this, Bomber Command's activities against Germany from 1940-1943 clearly did not. So, despite his well-expressed admiration for the crews and for all the work of the tactical and coastal air forces, he fails to perceive the full effect of the work of the British strategic force. He does not see that the credit for a successful invasion of Normandy, for instance, belongs on the air side, not only to the operations directly related to it and the earlier reduction of German fighter strength by the Americans, but also to the British bombers who brought devastation to Germany by night. Had the Germans been able to concentrate their resources purely against the American daylight air offensive, or purely against the British night offensive, they might well have inflicted crippling losses on their assailants. Against a combined offensive, involving day-and-night round-the-clock bombing against a wide choice of objectives, they proved in the long run to be powerless. The American offensive simply cannot be isolated, as so many critics seem to think it can, from the British one.

Mr Terraine sees Trenchard and Fort as primarily as proponents of attack on civilians, and this leads him to make sharp criticism of both. He nowhere makes it clear that, once the Allied strategy for a return to the continent was established at Casablanca, Fort supported this unwaveringly. Fort's strong belief in strategic air action in no way prevented him from being a supreme co-operator with the other Services.

The book would be more completely reliable if the author's interpretations and criticisms were expressed in a more provisional and less dogmatic fashion. But many readers will no doubt find Mr Terraine's trenchant manner and forthright views the salt that gives savour to the dish. What is certain is that the work is a remarkable achievement in historiography, an excellent piece of book production and, in these days, remarkably good value for money.

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## Boyhood of Böll

BY WILLIAM D. SHOLTO

**What's to Become of the Boy?**  
by Heinrich Böll. Secker and Warburg, £7.95, 52 pages

How did a sensitive German boy react to the evil of Nazism? Heinrich Böll, born in 1918, was a schoolboy when the Nazis seized power. The horror became progressively more intolerable during the 1930s, and led him to seek solace in the normal run of juvenile preoccupations, nearly to detach himself from the uncouth rabble that dominated his country. His parents, with Teutonic Angst, kept asking: "Was soll aus dem Jungen werden?" ("what's to become of the Boy?")

Wandering in his native Cologne, Böll writes, "one of those Nazi hordes happened to come marching around the corner, and everyone ran to the kerb to raise their right arms while I just barely managed to duck into a doorway. The horror lay deep."

Worse was to follow. Individually in sport, education and thought itself was suppressed. In School, Böll had to study *Mein Kampf*, and pressure to join the Hitler Youth intensified. One could only speak in a whisper about the ignorant and brutal Nazi leaders, and there were plenty of reminders of the fate that awaited dissenters.

Finally, there was an inexorable drift towards war. Böll knew and feared that he would be ordered to die for his Führer, and the prospect appalled him. His very human record of those dark pre-war days is important because, 40 years after the war, we still know so little of what perceptive Germans felt about the Nazis.

For Germans, such recollections must be positively therapeutic. Too many are still ashamed of what happened and the role they played (or didn't). Böll is neither ashamed nor amnesiac, but scrupulously honest. For that alone, he deserves our respect.

## Fiction

## Life raw and cooked

BY ISABEL QUIGLY

**Krippendorf's Tribe**  
by Frank Parkin. Collins, £7.95, 192 pages

**Kronstadt '21**  
by George Malcolm Thomson. Secker and Warburg, £8.95, 218 pages

*Krippendorf's Tribe*, Frank Parkin's first novel, is a tale of grand-scale deception: of the gullibility of academics, the convenient transferability of human patterns of behaviour, and the horrors of trendy domesticity in today's England. To make horror artistically acceptable, a certain deadpan, consistent, ruthless logic is required. This Frank Parkin achieves.

Even David Lodge, no slouch when it comes to behavioural shock-horror, confesses in his puff on the back of the jacket (the front part of which, incidentally, is ineptly hideous) that he squirmed. Well, there are squirms and squirms, and those induced by Krippendorf, though justified, are healthy.

What's an anthropologist who has been given £14,800 to research an Amazonian tribe to do when he's left in North London squalor with three children by a wife who jets about the world to forward her high-powered television career? With the deadpan, consistent, ruthless logic I mentioned he settles down to write up the tribal customs of the Shelmikidnu. This scarcely needs imagination, since it is his own story in fancy dress. Shelmikidnu males in the rain-forest clearings do the chores and care for the children while females go out hunting and food-gathering. Then, because pictures are needed to popularise this research, life takes over from art.

First it's exotic photographs of any woman Krippendorf can get to pose for him. Then the children have to be painted and decorated with Tipex and green nail varnish to look convincingly savage. And when reality takes over entirely from invention there's domestic cannibalism (they eat the house-keeper—not to mention the neighbours' pets), incest, tree-house living. Savager than that

you can't get so it ends. I'm afraid, with something of a whimper, unworthy of the squirm-making rest.

What's right is the consistency of tone both in the present "real" world, which grows progressively more surreal, and in the flat academic prose on the tribal customs which Krippendorf turns out for his paymasters. Lay it on thick enough in the right jargon and anyone will swallow anything, the moral seems to be; whether your readers are academics (the highest standard of scholarship and scientific achievement?), readers of *Exotica* ("I'm your number one fan, me. I've got all your photos pinned up in me locker"), the Crouch End Folklore Society ("Mamma mia!" or the Pontefract Flyfishing Association ("Hey up, Amazonia! Here we bloody come!"))

George Malcolm Thomson's *Kronstadt '21* is a thriller set among Russian exiles in 1921, with opposition to the new regime hotting up and a chance of success (they feel) in a new uprising. At the centre of things is Simpson, son of an English merchant in old St. Petersburg, therefore as Russian-minded as an outsider can be and ready for any involvement with the gang of aristocrats, thugs, agents and double-agents, spies and counter-spies who

cluster round the Russian cabarets, bistros and banks of post-revolutionary Paris. In between (in Copenhagen, London, Edinburgh and the loneliest coasts of Finland) are people of every shade of political opinion, while inside Russia the threat of Gulag, stolen children or simple "disappearing" hangs over everyone, in payment for the smallest misdemeanour, critical aside or even traces of humanity. Escaping westwards (to Hollywood and Scotland respectively) are a lovely young dancer and an equally lovely though older princess enmeshed in vile plots to save the children held as pawns in the terrible game.

It's exciting and well-crafted, full of atmosphere and memorable vividness; even of a real sense of the horrors of our century, the slide into barbarism with all its paraphernalia of torture, long- or short-term. What's missing is a character (or characters) with whom to identify and sympathise. No one is quite central enough, quite important or emotionally committed enough. Lots of imaginable people rush in and out of the action, but what's needed (I feel) is one for the reader to cling to, whose fate seems to matter more than the rest. Still, it's a shipshape thriller with the right chilly detail and sense of menace, very tightly built.

## Crimes

BY WILLIAM WEAVER

**Death in Autumn by Magdalen Nabb.** Collins, £7.50, 158 pages

**Nabb catches the air and pace of her adopted city.**

**The Killing Call by Ted Wood.** Collins, £5.95, 187 pages

The second adventure featuring Canadian policeman Reid Bennett and his dog Sam. As in the prize-winning first novel, here setting is excellently done—you shiver as you read of all that ice and snow—and the initial hook of the plot is neatly cast. Towards the end, the number of villains becomes awkwardly high and chasing them involves considerable repetition. But a few moments of confusion are a small price to pay for an otherwise arresting story.

Another big flaw seems to arise from the reluctance of

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## Hat tricks

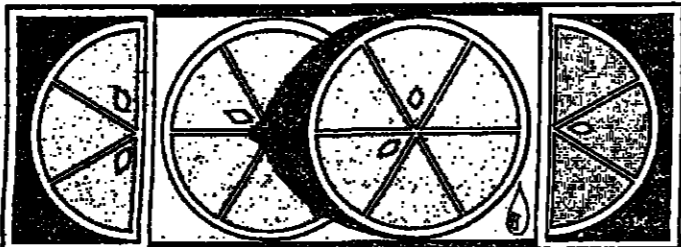
IF YOU believe that hats are for special occasions, for adding magic and allure, then I don't know many hats that come more glamorous than this. Made by David Shilling of 44 Chiltern Street, London W1 it is what the one-off, hand-made, couture hat is all about. Though the price-tag may seem high (they start at about £150) for your money you will get a hat that is designed entirely round you and your outfit. David Shilling specialises in fine straw, hand-dyed and trimmed only with his own hand-made trimmings, and no two hats are ever the same. His great skill seems to lie in creating wonderfully jaunty and chic small hats, perfect for those who have the style and confidence to wear them to cocktail parties, and the large, old-fashioned, frankly glamorous picture-hat. This particular hat is made from lacquered yellow straw, with Petersham binding and David Shilling describes it as a "24-hour hat."



## COOKERY

### Easter treats

BY PHILIPPA DAVENPORT



CHICKEN AND LAMB are the meats with which Easter is traditionally celebrated in many countries. In Britain we tend to serve them simply roasted. In Italy and Greece, where Easter occurs while the lemon season is in full swing, the meats are more likely to be dished in a fragrant lemony sauce or to be garnished with a glorious mixture of lemon zest and fresh green herbs. This marriage of young meat and citrus fruit is a happy one. Such dazzling freshness of scent, taste and colour makes spring seem a reality, not merely a promise.

Abbacchio brodetto is a delicate dish of very young lamb, gently cooked with herbs, prosciutto crudo and wine, and finished with a creamy light sauce of egg yolks and lemon.

Although it is a Roman speciality, I first ate it in Sardinia, in the pale sunny courtyard of a farmhouse one Easter Sunday after a long morning in church. The lunch table was draped with a snowy cloth and decorated with branches of lemon-crisp linen, green leaves and keen citrus scent. A dish of steamed and lavishly buttered spinach, piles of carta di musica (the unleavened bread of the island) and many bottles of local wine accompanied the Easter lamb. Olives and pecorino sardo (ewe's milk cheese) preceded it. Choccolates and bitter black coffee followed, and more wine. Later we indulged in the local sport of shooting citrus fruit from the trees.

Lemons and herbs also flavour the Greek recipe which follows, but there the similarity ends. Kotopoule sto fourno is quite different in character. It is basic, almost primitive food—a chicken and potatoes, simply scattered with lemon, herbs and olive oil, and baked in a hot oven. Haute cuisine addicts may find it too austere. I love it and find it, like plain bread and butter or a glass of creamy cold milk, a vital occasional antidote to gastronomic extravaganzas.

Kotopoule sto fourno is popular all over Greece and before domestic ovens became commonplace you would often see women carrying it to the village baker for cooking. I remember helping to prepare it in the electricityless Greek island home of some friends about 25 years ago, picking marjoram and thyme growing wild in the hills and lemons from a tree in the garden.

Here in Britain we are, of course, denied the exquisite pleasure of lemons straight from the tree. However, by importing from many countries,

by following the fruiting season round the lemon-growing world, we can at least enjoy a continual supply with plenty to choose from—and lemons always warrant careful shopping.

I hold no brief for Gargantuan lemons. Their extra girth rarely contains more juice, just an indelicately thick layer of bitter white pith which is well nigh useless to the cook. Medium-size lemons, or even small ones are usually better value, but more important than size is general appearance and feel.

Avoid lemons that are heavily dappled with green: they are thin-tasting and aromatically mean. Bypass lemons that are buttercup yellow with lacklustre skins: they are past their prime and are beginning to dry out. Buy those which are an acidly fresh yellow, which feel heavy for their size and are unblemished by soft spots.

Whether the rind is knobby or smooth does not matter much, although smooth-skinned varieties tend to be juicier. What is more important is that the rind should glow with good health. When flicked with a fingernail it should release a spurt of headily-scented aromatic oils.

Display lemons briefly at room temperature by all means (I sometimes decorate a dinner party table with lemons and bunches of parsley piled pyramid fashion on a plate, and use both ingredients in cooking next day) but long-term storage in warm conditions is a bad idea. Once picked lemons are best kept cool. Store them in an old-fashioned north-facing larder if you are lucky enough to have one, or in the salad compartment of the fridge. It is however advisable to bring lemons to room temperature about an hour before using because if very cold they will be reluctant to yield up their full quota of juice. It is always worth grating the

zest of a lemon, even when a recipe calls for lemon juice only. If not needed for immediate use, the zest can be frozen—and it can be used straight from the freezer to add zing to all sorts of sweet and savoury dishes.

#### ABBACCHIO BRODETTATO (Serves 6-8)

Tender delicately flavoured lamb is essential for this lovely dish. In Italy milk-fed lamb is used, but this is unavailable here. Buy the youngest spring lamb you can find. The strong flavour and coarser texture of mature lamb would be totally inappropriate.

3 lb boneless very young lamb; 3 oz Parma ham; 4 or 5 spring onions; 3 celery stalks; a little unsalted butter and olive oil; 7½ oz dry white wine; 7½ oz water or light stock; parsley and marjoram; 1 lemon; 3 egg yolks.

Cut the lamb into generous bite-size pieces and colour them, in batches, in a little hot oil and butter. Remove and reserve. Cut the ham into small strips and chop the vegetables finely. Fry them gently for a few minutes before returning the meat to the casserole.

Pour on the wine, let it bubble up to the boil, then reduce heat slightly and leave to simmer for about 10 minutes so that the liquid reduces considerably.

Add the water or very light stock, a little salt, a good grinding of pepper, and a sprig or two of parsley and marjoram tied together with string. Reduce heat to very low, cover the casserole and simmer very gently until the lamb is perfectly tender (about 45 minutes) just stirring and turning the meat occasionally. Lightly beat the egg yolks in a cup together with the finely grated zest of the lemon, 1½ tablespoons lemon juice and 4

or 5 tablespoons of chopped fresh parsley. Stir in a few spoonfuls of hot liquid from the casserole, then stir the contents of the cup into the casserole. Cool, stirring continuously, for about 5 minutes while the fragrant sauce thickens slightly. Be careful to keep temperature well below boiling point or the sauce will curdle. Remove the bunch of parsley and marjoram and adjust seasoning to taste before serving.

New potatoes steamed in their skins go well with this dish.

#### KOTPOULO STO FOURNO (Serves 4-6)

The success of this dish depends on using a fresh chicken which tastes of chicken. I use maize-fed birds sold under the Moy Park label. Choose potatoes which weigh about 5 oz each: if possible they should be oval in shape.

1 plump fresh chicken weighing about 3½ lb; 1-2½ potatoes; 1-1½ lemons; fresh marjoram, thyme and parsley (preferably flat-leaved parsley); olive oil and butter; salt and black pepper.

Grate the lemon zest and put it inside the chicken together with several sprigs of each herb and a little salt and pepper. Rub the skin of the chicken all over with salt and pepper, then rub it all over with a cut half lemon, squeezing the juice onto the chicken as you do so. Set aside for 1 hour.

Lay the chicken, breast down, in the centre of a shallow roasting pan containing ½ pt water or light giblet stock. Peel the potatoes, quarter them lengthways and arrange them, in a single layer, around the chicken.

Squeeze the juice of at least half a lemon (or a whole lemon for pronounced citrus flavour) over the potatoes. Chop 2 tablespoons of each herb and scatter them over the chicken and vegetables. Then drizzle the chicken and vegetables with 2 tablespoons or so of olive oil and dot with about 2 oz butter—or use all olive oil.

Bake at 425 F (220 C) gas mark 7 for 30 minutes. Turn the chicken breast up and baste everything well with the pan juices. Bake for a further 45-60 minutes until the chicken is golden and tender and the potatoes have absorbed the flavours and are lightly glazed. Lift the chicken and vegetables occasionally as they cook to prevent them from sticking to the pan base and, if necessary, add a few spoonfuls of boiling water to the pan to prevent drying out.

IT IS curious how extraordinarily fashionable the English look has become. Without wishing to offend those who live in Scotland, Wales or Ireland, whatever it is that we mean when we talk of "English Style" has become synonymous with a certain sort of contemporary chic.

Whether it be a Herbert Johnson hat, a Colefax & Fowler chintz, a Burberry raincoat or a perfume from Floris, its very Englishness is a potent part of its appeal.

Yet it is hardly any time at all since "Englishness" was more to be associated with shabbiness than lack of style. While the snappy dresser hoped to be taken for French, the owners of modish homes aimed for more of a Scandinavian or a transatlantic look.

This rehabilitation of our confidence in our own sense of style has been particularly well-documented recently by a series of sumptuously photographed glossy books all of which are a treat for the curious, taking the lens as they do, right into the heart of the homes of the rich, the titled or the famous.

First we had English Style by Suzanne Slesin and Stafford Cliff, with a couple of reflective essays from Sir Terence Conran and Fiona MacCarthy on just what was and wasn't English Style.

Then came the English Room (text by Michael Pick, photographed by Derry Moore) which concentrated on the upper-crust end of things, castles, manor-houses and titled abodes.

Now we have the most intimate glimpse of all, a voyeur's dream—The Englishwoman's Bedroom in which Elizabeth Dickson (who edited it) and Lucinda Lambton (who took the photographs) persuaded some 26-rich, famous or eccentric women not only to allow their most private of rooms to be photographed but to spill the beans on why it is as it is.

At first sight all is a model of fresh country-house charm. The chintz-swathed four-posters, the lace-bedecked bedside-tables, the acres of knick-knacks, of bows and frills is the most enduringly popular mood.

Possibly the apotheosis of this style is to be seen in the bedrooms of The Countess of Lichfield (whose chintz bedecked four-poster can be seen in the photograph below) and Annabel Goldsmith (who is the only one to talk frankly about the intrusion of male habits into this almost suffocatingly feminine world). "His (that is her husband's) ultimate crime," she tells us, "is to creep into my bathroom and sit reading the Financial Times and puffing away at one of his endless cigars."

For the rest it seems an almost exclusively feminine arena, a bower of prettiness with

## Bedtime stories



"This room rekindles romance," says Virginia Wetherell of her lace bedecked room, above. "This is the first bedroom that I have felt really happy with," says the Countess of Lichfield of her flower-laden boudoir, left.



rently sharing it with two tigers. Min Hogg, editor of Interiors, is prone to give dinner parties in her bedroom, presiding herself from the bed. Dr Christian Carritt, who is admittedly pushed for space, makes her bedroom double as a consulting-room—as she gets out of her bed, her patients turn up to lie on it. Virginia Wetherell sleeps in a room (photographed above) that looks like the perfect monument to Miss Havesham's madness and so cool a customer is dedicated businesswoman Anita Roddick that she regards her bedroom as "just another item on our agenda."

The curious will enjoy this book for its glimpse into houses they are unlikely ever to enter, but it leaves one with a strange sense of having dipped too deeply into the blameworthy and longing for a bit of spice. All that hygienic prettiness, those impossibly pretty women and their even prettier children... does nothing ever ruffle those frills?

If the bed indeed be the "symbol of life" as the introduction tells me de Maupassant once wrote, then these particular lives seem to have a curiously antiseptic quality. Published by Chatto & Windus at £14.95.

## POSTSCRIPT

After browsing through The Englishwoman's Bedroom, even the most casual of readers cannot fail to notice that the large square Continental pillow, frothily encased in snowy white frills, is de rigueur in the smart est bedrooms. Besides being de rigueur they also happen to be extraordinarily pretty and do more to give a bed an air of sumptuous luxury than almost anything else I know.

Whilst the antique pillowcases that fit them can still be found in many antique shops and stalls specialising in old linens and lace, finding the pillows themselves is more of a task.

I see with interest that Limericks, a wonderfully old-fashioned mail order company specialising in simple basic household textiles, has started to sell them. Limericks operates entirely by mail order from Limericks Linens, Limerick House, 117 Victoria Avenue, Southend-on-Sea, Essex, and it is happy to take telephone orders if you have a credit card.

Besides the 27 in. square pillows filled with curled feather, at £20.35 each, it also sells plain white all cotton pillowcases to match (£4.40 each).

It sells plain polycotton sheets as well as 100 per cent cotton bed linen in a variety of plain colours and candy stripes. If you're feeling extravagant, there are pure Irish linen sheets (these you may be interested to know cost £211 a Kingsize

pair) or you can buy cotton sheetings by the yard (very economical this at £3.20 per metre, 90 in wide) and make your own. There's linen sheeting, too, at £26.50 per 90 in metre.

There are old-fashioned linen glass cloths of the sort that leave no smug on glasses or dishes (£2.50 each or £14 for 6). If you're a believer in plain white pure linen Huckaback towels, then Limericks will sell you the linen by the metre (£4.20) or the cotton version either by the metre (£2.65) or made up into 22 in by 38 in hand-towels (£2.80 each).

In other words, if you hanker for the plain old-fashioned household linens that are now so difficult to track down, Limericks could be the answer.

Clothes are stocked in sizes 14 to 22 and shoes in sizes 8 to 11. The shop itself is called Tall Girls and is at 17 Woodstock Street, London W1.

IF YOU'RE recently tried to get anything of your belongings dyed you will realise that it is becoming a fast-disappearing service. Harry Berger of 25 Station Road, Cheshire (tel 061-485 3421) runs a comprehensive dyeing service by post. He offers 32 different basic colours, and

detailed advice on fibres, fabrics and special items. He also has 65 local agents throughout the UK and he will supply addresses on request. Potential customers should send a SAE 9 in by 4 in (or larger) for full details. For a colour chart send 35p in stamps or postal order.

More feedback from an earlier article—this time on spectacles. All those commuters arriving at Victoria station and finding they have left their glasses behind might like to knock about that old yesho in London that sells reading glasses without prescription over-the-counter. Nobody is pretending that this is a substitute for a proper check by a qualified optician and for glasses made up to your own prescription, but for emergencies, for a second pair or for those who need simple magnifying lenses (seven different strengths are available) they are a quick and inexpensive aid.

The Glass House at 7, Wilton Road, London, SW1, employs a qualified doctor on the premises who supervises each sale in line with the recent legislation which requires it. Certainly those who find themselves temporarily lost and helpless without their usual spectacles might like to know of this convenient, inexpensive service. Prices range from £9.75 to £19.75 for frames and lenses.

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## ARTS

Sakharov  
film has  
it taped

It's not often that video viewers get first bite at an eagerly-awaited film. But *Sakharov*, directed by Jack Gold and starring Jason Robards and Glenda Jackson, comes out in cassette this month ahead of any scheduled showing on TV or in the cinema.

Is this good news or bad? Should VCR owners rejoice at a gladsome scoop? Or should they wonder if they're seeing the film first because—as with so many video premieres—it's a doomed turkey with nowhere else to go?

Something of each, is the answer. The pride of the movie is two superb performances by Robards and Jackson. Like prime marathon runners they keep their chins up and their elbows pumping as Andrei and Yelena Sakharov, even as other characters collapse around them or require the constant assistance of a wet sponge. They pant bravely through the stations of David W. Rintels's two-hour biopic script about the Russian dissident—from scientific eminence as father of the H-bomb to KGB persecution and incarceration.

Robards cracks out wisdom and humanity from that lustrous skull-like face, and his scabrous rasp of a voice lends edge to a portrait that could otherwise have evaporated in piety. Likewise Jackson, alternating her sour-lemon snarl of indignation with the constant kindling of credible compassion.

All the sadder that Gold and Rintels see the struggle between State and Dissidents as not much more than a galumphing set-to in moral black-and-white between the Goodies and the Baddies. The Goodies are dishevelled, articulate Bohemians ever-surrounded by books and children (a sort of Hamptons-on-the-Volga); the Baddies are stuffed-dummy apparitions (inc. Nicol Williamson, Michael Bryant) looming over giant desks. And this Manicheism Moscow-style isn't helped by such crudities as Glenda shouting "Fascists!" whenever any one gets on her political wick; or by the cor-buiney rhubarb of the extras whenever our hero and heroine cross the screen. ("It's the Sakharovs," "Yes, the Sakharovs" etc.)

In addition—let's get all the bad news out of the way together—Tony Imi's fine colour photography is served routinely in places by the video transfer (at least in my copy) which deals out blobby face-tones and fuzzy picture definition.

What the film does do, in compensation, is unspool away for 120 minutes without ever quite giving one the fidgets. Often, a line of good dialogue will leap dolphin-like out of the sea of hearsay and cliché. "We just study, we don't act," says a dissident to Sakharov, complaining of KGB harassment. "In the Soviet Union, to study is to take action," Sakharov quips bleakly. Carl

## VIDEO

NIGEL ANDREWS

Davis's music is decently moody and restrained (unlike the horrors he perpetrated for *Chaplin*). And always there is the hypnotic hold of a true story.

James Dean: *The First American Teenager* (Thorn-EMI) also is a true story, though told with large doses of hagiography in this feature-length documentary written by Ray Connolly.

"All of us were touched by Jimmy, and he was touched by greatness," piously burbles Natalie Wood, his co-star in *Rebel Without a Cause*. And equally lavish with the icy tributes are Dennis Hopper, Carroll Baker, Nicholas Ray and Sal Mineo. But between contributions from them we dive into clips from Dean's three starring movie roles, where we sample his weird mixture of genius and fakery, passion and pretension: the horribly overdone self-pity (in *Edge of Eden*), the slouching but oddly mercurial youth-in-revolt image (in *Rebel*)—and his best, the overgrown baby as oil tycoon, a voice quavering in the Texas wilderness, in *Giant*.

We also goggle in appalled fascination at Dean's early TV appearances (one in biblical garb as the apostle John) and at the off-the-set pictures of Dean as a scraggy, spectacled youth whom few casting directors would look at twice. But then, Dean's career thrived on irony and paradox. In 1955, he made a TV road safety commercial—shown here—in which his last words to the public were, "Take it easy driving, huh? The life you save might be mine." Some weeks later, driving too fast to a motor race, he crashed his Porsche and was killed, aged 24.

## There's no business like shows

Antony Thornecroft  
discusses sponsorships  
as the way to boost  
revenue for the arts

ON TUESDAY, Lord Gowrie, the Minister for the Arts, will once again forget that he also is a Treasury minister and indulge in his secret vice of giving away money. Thirty-five arts organisations will receive government cash—but only because they have been able to attract even bigger sums from business.

Lord Gowrie launched his Business Sponsorship Incentive Scheme (BSIS) last October. Under it, the Government would top up any "new" arts sponsorship scheme, in the ratio of 1 for £3. Earlier this month, he extended the idea; to encourage contributions from small companies, an arts group that persuades a business to give it £1,000 could qualify for another £1,000 from the Government.

Tuesday's hand-outs will exhaust the £500,000 that Lord Gowrie managed to squeeze from the Treasury; but from April 1 there will be £1m more, which should last a year. However, judging by the response to the idea, this sum will be spent before Christmas; and Mr Colin Tweedy, who heads the Association for Business Sponsorship of the Arts (ABSA), which administers the scheme, expects to be petitioning for more money by late summer.

For the Government, this "challenge funding" represents the future for the arts in the UK. Lord Gowrie has repeated so often that the arts cannot expect any real increase in government subsidy that the arts companies are beginning to get the message and to realise that for growth, they must look to more box office revenue, private sponsorship, and business aid. Local authorities might also, against the odds, rally around more.

For its £500,000 stake, the Government reckons it has boosted arts sponsorship £2.5m. This year, the arts will receive around £17m in direct aid from business compared with £4m just five years ago. It almost has become the smart thing to do. It will never compete with government subsidy—the Arts Council has £105m to distribute in 1985-86—but it could be the difference between survival and closure.



Lord Gowrie has chosen the Guildhall, where ABSA has got together with the Association of Independent Museums, to hold his latest prize-giving. This occasion is a drive to attract more industrial aid to museums and two, the Motor Museum at Beaulieu, and Ironbridge, will be among the recipients. Other new sponsorships will include £20,000 from the National Westminster Bank to Opera 80, which will also get £6,500 in Government topping up cash; £12,500 from Unilever to Merseyside Arts; with £4,500 from the Government; and £200,000 from IBM South for the Commonwealth Institute—which gains £25,000 from the Government, the largest amount possible under the system.

The Minister has been keen to attract new sponsorships to the regions, and to some of the less glamorous arts organisations, and the quick response from smaller companies to the £1,000 initiative suggests that there will be more activity out of London. But many companies still prefer the safety

and the prestige of the big event. Covent Garden, for example, received £150,000 from BPC and the Heron Group in a joint funding of its new production of *The Nutcracker*, and got £25,000 from BSIS. Chichester Festival also has announced a major new sponsorship—£250,000 from Nissan, with the usual £25,000 sweetener.

Japanese companies are proving enthusiastic patrons of the arts. As well as Nissan, Nikon has come to the aid of the present Mahler Festival based on the Barbican; Mitsubishi is helping the English String Orchestra; and the English Chamber Orchestra has the backing of Sumitomo. Canon is a sponsor of the Northcott Theatre in Exeter while Mitsui is now promoting a lavish festival of contemporary Japan that is benefiting, among others, the hard-pressed Riverside Studios.

While foreign companies loosen their purse strings, the traditional friend of the arts, the tobacco industry, is retrenching. John Player is not repeating its three-year support of the National Theatre touring operation and Benson and

Pinter, the actor,  
struts his stuff

## RADIO

B. A. YOUNG

It was good to be reminded that Harold Pinter was once also an actor. On Sunday, he read two of his short prose pieces on Radio 3: his memoirs of the Irish Shakespearean actor, Aneurcan McManus, and of the Somerset and England cricketer, Arthur Wollard. McMaster last played in England at Stratford, in 1933. After that, he toured Ireland until his death in 1962. For two years Pinter was in his company, playing parts like Horatio, Bassanio, Cassio. Wollard was a powerful batsman who preferred to make his runs in sixes if possible. He had stood up to Larwood and Voce ("a bit quick") and played club cricket into his seventies.

Few of us can have heard McMaster, or talked with Wollard. If they were at all as Edward de Souza played them for Mr Pinter, we missed a treat. We might have missed more by not having heard Pinter the actor, for his reading on Sunday was a masterpiece. Those who can receive the World Service (463 metres, MW) might have heard Mr Pinter Out: then in by Bernard Kops on Saturday and Sunday. This is the story of mad Brian, who, after 20 years in a mental hospital, having killed his mother, is released to a home for "after care." The other occupants are no better able to look after themselves than he. He thinks his medicine is bad for him and leads some of them out, to go hop-picking in Kent (in February!).

Disaster ensues; and when they go back Brian in his dispirited condition, takes the blame for burning down a church, actually the work of an arsonist fellow-sufferer. Mr Kops omits details of the subsequent trial; but the judge reckons Brian capable of his actions and gives him five years. The play is pathetic, and also instructive, but I'd have liked it better if Mr Kops had been less consciously literary. The exemplary company included Ian Holm as Brian, Ron Pember and Frances Jeffery among his mates, and Jane Wenham as Mrs Killick, the alarming "proprietor" who treats her guests like naughty children. The director was Gordon House.

Still outside my usual territory, two pieces for the underprivileged. *Dole, Desperation, Dejection* from BBC Radio Cleveland, was a pre-Budget alarm to remind the fat cats of the South about the continuing distress of the North-East. The

title expresses the life-cycle of the long-time unemployed in Cleveland, Whitby and Teesside where 82 per cent of young people still await their first job. Easy to blame it all on the Government, as the programme did in the voice of Sir Timothy Kitson as well as the voices of the young workless. But at this point in time, blame is less important than cure.

In the North, unemployment, in the Midlands, murder. BRMB ran a chilling feature on Thursday, Killer on the Loose, about a dozen unsolved cases in the Birmingham area. The slow, sensible voices of senior detectives described the finding of bodies, establishment of incident-rooms, sometimes the submission of a case to the director of Police Prosecutions, only to have it turned down. Occasionally, the police are positive they know their man; but if the evidence isn't adequate for a conviction, no arrest can be made.

From BBC Publications comes *With Respect*, Ambassador based on the eponymous series on Radio 4 last year, about the Foreign Office and the Diplomatic. By Simon Jenkins and Anne Simon, I found the book more so. (Because, though I shouldn't be saying so, reading absorbs one more than listening.) Hardback £7.50, paperback £3.95, 144 pages.

And from Elm Tree Books, *The Way to Write Radio Drama*—too ambitious a title for William Ash's able book. With respect to teachers of "creative writing," you can't teach how to write—only how to put it down, sort it out, submit it. Mr Ash, 15 years a BBC script editor, fulfils these functions well, with generous quotes, at sensible length, to show how points are made. £3.95 hardback, £1.95 paperback, 136 pages.

## Mackerras appointment

Sir Charles Mackerras has been appointed musical director of the Welsh National Opera to succeed Richard Armstrong, who becomes the company's principal guest conductor.

## When Chamberlain wrote to The Times

By Antony Thornecroft

Tucked away in the tiny Crawford Room, a yard or so from Magna Carta and the nation's greatest historical manuscripts, the British Museum is celebrating "Signs of the Times" 200 years of the most influential newspaper in British history.

The Times has contributed copiously from its own archives for an exhibition that has the same impact as a page of shrieking headlines. Where to go first—to glance at the forged letter, purporting to be by Parnell and showing him soft on Irish terrorism? The Times wanted the letter to be genuine—a piece of self-delusion that cost it £200,000 in damages (around £6m in today's money) and left it weak and in decline and unable to resist the Northcliffe takeover a few years later.

Then, there is the telegram from Northcliffe himself—who

had no doubts that a proprietor's word was law—asking for the immediate response of The Times Fourth Leader, which epitomised English facetious writing until its quick death in 1907.

The eye is distracted by a blue censor's pencil, which erased some of Kim Philby's report from the front line with the British army in France in 1940. Earlier Times foreign correspondents had better luck: there is Russell's diary of the Crimean, the basis of the reports which made Florence Nightingale a national heroine and alerted an apathetic public to the horrors of war; and in the journalistic coup of the century, Blomfield's details of the Treaty of Berlin made public before the statesman of Europe had actually got around to signing it.

The show is traditional in

form: items nestle in display cases and good eyesight is needed to decipher many of the exhibits. But the effort reveals the tortuous history of a newspaper—from standing for reform (as in the case of Catholic Emancipation) to siding with the Establishment (the actual page is reproduced showing Dawson's changes to a leader which suggested the British Government was not entirely unsympathetic to Hitler's designs on Czechoslovakia).

Chamberlain is represented in an endearing light—in the form of a letter he wrote to The Times after spotting a wagtail in St James's Park. But the more frivolous features of the paper get short shrift: this is The Times that made history rather than the commuter's friend.

The printing side is touched on, only cursorily, although it

was founder John Walter's enthusiasm for "logographic" type that allowed whole syllables rather than individual letters to be set in metal and launched the enterprise. Pictures are given a better spread. It was Northcliffe again, who, in an attempt to liven up his possession, asked the picture editor to produce within an hour or so a page of pictures: it must have been a surprise for the editor, but the back page montage lasted for many years.

Only one copy of the first edition remains, and it is on display. It was for the Daily Universal Register—the newspaper title did not appear until 1788, which will not doubt provide The Times with an excuse for another celebration. Anyone who cannot wait should choose a quiet time to visit this exhibition, because it is cramped both in display and in area. You have until June 30.

## TODAY'S TELEVISION AND RADIO

↑ Indicates programme in black and white

**BBC 1**  
8.30 am *Roobarb*. 9.35 *Battle of the Planets*. 10.00 *Saturday Superstars*. 12.12 pm *Weather*. 12.15 *Grandstand*. Including 12.45 *News Summary*; 1.00 *Football Focus*; 1.05 *News from Newbury*; 1.10 *Snooker*; 1.15 *Hockey*; 1.20 *Rugby League and Final Score at 4.50*. 6.05 *News*. 6.15 *Repeat Programme*. 6.20 *Doctor Who*. 6.05 *Jim'll Fix It*. 6.40 *The Laughing Show*. 7.15 *One by One*. 8.05 *Dynasty*. 8.55 *Bargain*. 9.45 *News and Sport*. 10.00 *Dog Day Afternoon*, starring Al Pacino. Regional Variations: Wales—5.15-5.20 *Sports News*; 5.20-5.25 *Football*; 5.25-5.30 *Scotsport*. 10.00 *Sportsweek*. 10.30-12.30 am *The Late Late Show*. 1.00-1.30 am *The Late Late Show*. 1.30-1.45 am *The Late Late Show*. 1.45-2.00 am *The Late Late Show*. 2.00-2.15 am *The Late Late Show*. 2.15-2.30 am *The Late Late Show*. 2.30-2.45 am *The Late Late Show*. 2.45-3.00 am *The Late Late Show*. 3.00-3.15 am *The Late Late Show*. 3.15-3.30 am *The Late Late Show*. 3.30-3.45 am *The Late Late Show*. 3.45-4.00 am *The Late Late Show*. 4.00-4.15 am *The Late Late Show*. 4.15-4.30 am *The Late Late Show*. 4.30-4.45 am *The Late Late Show*. 4.45-5.00 am *The Late Late Show*. 5.00-5.15 am *The Late Late Show*. 5.15-5.30 am *The Late Late Show*. 5.30-5.45 am *The Late Late Show*. 5.45-6.00 am *The Late Late Show*. 6.00-6.15 am *The Late Late Show*. 6.15-6.30 am *The Late Late Show*. 6.30-6.45 am *The Late Late Show*. 6.45-7.00 am *The Late Late Show*. 7.00-7.15 am *The Late Late Show*. 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Saturday March 23 1985

# Passing on the baton

THE British economy is probably performing more strongly than most observers had supposed; and the American economy is almost certainly performing more weakly than most had feared. Brush away the rhetoric of our own vast over-dramatised Budget, and that is the real news behind the remarkable change of sentiment in the current markets last week. What is more important, these are two immediately noticeable highlights of what begins to look like the big picture for 1985.

America is slowing down, and according to some forecasters will be in outright recession by the end of the year; but the much-depressed European economies, led by West Germany and the UK, are turning a slow recovery into a rather faster one. That, it might be thought, is all that an investor needs to know; but it is not as simple as that. Will a U.S. recession cause our own recovery to fade, and if that is a threat, what should governments do about it? These are difficult questions, but before we come to them, a little more needs to be said about the background facts.

The cause of the U.S. slowdown will be so obvious to any British businessman that the only wonder is that it did not happen sooner. Quite simply, the rise of the dollar has made increasing numbers of U.S. businesses totally uncompetitive; exactly the same thing happened in Britain, though for a much shorter period, between 1979 and 1981, and the country has still only barely recovered from the effects. The policy errors made by the two governments could hardly have been more different. Britain failed to allow for the impact of North Sea oil on the flow of funds across the exchanges, while the Americans failed to realise that budget government borrowing would drive up the exchange rate.

The effect on manufacturing and the exchange rate was just the same, however; whether an economy obtains foreign currency by producing oil or by aggressive borrowing, it pushes up the exchange rate and has a depressing effect on those industries which were previously earning the country's international living by exporting.

The impact is all the more disruptive because while financial markets respond very quickly to structural shocks, manufacturing industry responds only slowly. The result is that the full effect of the mighty dollar on U.S. industry is only just becoming apparent as more and more American companies price to make their new products overseas rather than in the high-cost U.S. economy.

In a rather similar way

British companies are only now beginning to show the self-confidence to expand their home operations, realising that the slow five-year-old recovery could still have a long way to go. Like all price shocks, big exchange rate swings have little effect in the short run, but big, pervasive effects after a long enough interval.

There are rather strong reasons, then, for believing that current trends are significant, and that Europe will benefit more, and the U.S. (and, to a lesser extent Asia) will benefit far less from the growth of world demand than they have in recent years. But what, meanwhile, will happen to the growth of world demand itself? That is where the policy dilemmas come in.

There are two schools of thought about this. One, led by many international economists, argues that as U.S. demand weakens, governments in other countries must take steps to boost their own economies, or the whole world will slow down sharply.

## Interest rates

That would certainly be an approach very unlike the ultra-cautious Budget we have just suffered in this country; and it is not difficult to mount a persuasive-looking argument against this kind of response to a U.S. slowdown.

The issue rests on interest rates. If, as European governments have never tired of arguing in recent years, the very high real interest rates now ruling in the world are simply the result of excessive U.S. borrowing, public and private combined, then we should simply welcome any weakening of U.S. credit demand. If it is private rather than public borrowing that collapses, this will be bad news for the U.S. itself, and may teach them not to do it again; but for everyone else, a weak dollar and falling interest rates would be a great relief. It would lighten the world debt problem, reduce inflationary pressures, and encourage investment. The last thing Britain should do is to follow the U.S. example of stimulating a purely temporary recovery by over-borrowing itself.

Both these analyses look quite logical, but they can hardly both be right. Will a fall in U.S. orders, which even in Europe have accounted for nearly half the unimpressive growth spread the U.S. recession across the world? Are falling interest rates (and thus government debt service burdens) as important as the British Treasury seems to believe? We are about to live through the experiment which may settle these questions. Meanwhile, falling interest rates look a safer bet than strong real growth.

THE promotion of flexibility in the labour market has moved from being a matter of periodic exhortation and marginal tinkering to the centre of the political process. The "budget for jobs" measures are the expression of a philosophy and a faith: job and wage flexibility equals more employment.

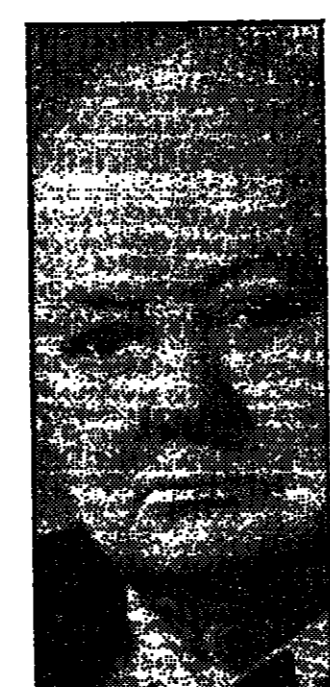
The Government is now actively attempting, as it sees it, to cut with the grain of the labour market. That grain runs: lower real wages at the bottom end of the market, especially for young, new entrants in order to encourage their employment; greater diversity of working hours and work patterns to fit in with the demands of expensive capital equipment on the one hand and of a workforce which is breaking free of the tyranny of the eight-hour day on the other; the provision of training and retraining in skills which will change many times in a life, not remain engraved on the brass plate of a craft for generations; the thrust for entrepreneurship through new small company creation and the provision of jobs therein; the preference of many members of the still-growing female labour force for part-time jobs.

Flexibility is the key and freedom the motto. In the Department of Employment's consultative paper on wages councils, published on Thursday, the author comments that "wages councils interfere with the freedom of employers to offer, and job seekers to accept, jobs at wages that would otherwise be acceptable."

Developed in 1909 as a protection for workers from bad employers being undercut by the worst (as Churchill put it), they are now seen by Churchill's heirs as restrictive of liberty and productive of unemployment. As the same paper comments: "economic and social circumstances have changed dramatically."—in particular, a net of social security and legislation on employment rights has been strung between the tightrope of the job market and the floor of pauperisation.

In current political discourse, however, this approach is seen by its opponents as little more than a disguise for the creation of a reserve army of the employed and partly employed in order to weaken union power and drive down wages. Counterposed to the Government's vision of a labour market cleared of obstacles and thus able to take up the slack, is one based very largely on a moral critique of its effects.

Take this, for example: "Christina, a Greek Cypriot, has been in England for 25 years, working in the clothing industry for 20 of them. She says: 'Now I have to work more hard than ever. My husband has heart trouble and has not worked for three years. He is getting sickness benefit but it is not enough for a family of six, especially as my son is at college. My job is flat as a pancake in a factory. Eight years ago I was doing dresses



Winston Churchill saw wages councils as protection for workers; Mrs Thatcher thinks they restrict liberty and employment

at home for 15 shillings each. Now I am working in a factory and using a machine on piece-work.

"I get 50p for a dress which is harder to make than eight times a day and if he thinks you are not doing enough he complains. I was working very hard, doing 40 dresses an hour. You have to do the whole sleeve from the neck down, plus the sides and the waist. To do 40 dresses an hour, imagine how the machine has to work! One hour has got 60 minutes, so that is even less than 60 minutes each, and for this I can show you the boss is not happy. He wants more."

This testimony, from a recent polemic work, is a prime example of the moral argument: a darkly emotive view—"Dickensian," as Mr Bill Whaley of the shopworkers put it earlier this week—of the resurgence of labour practices the post-war, affluent advanced societies were supposed to have laid to rest. Yet turn the prism a little, and the world is transformed to a dynamic, competitive, provider of opportunities for precisely the kind of people Christina "represents"—new entrants to the UK labour market who, by their own hard work, are sending at least one child to college.

This is, however, growing evidence that opposition based on simple morality is being undercut by developments which are rushing on in the market itself: that these developments, however unwelcome they might be to the established interests and politics of labour, are reshaping the market and therefore the labour movement itself.

The instances of this are now crowding upon us. The end of the miners' strike, and the opportunity it has evidently given the National Coal Board to restructure the coal industry, may usher in radical measures designed to replace the present relatively rigid relationships between various grades of NCB

# Expression of a new Tory faith

By John Lloyd, Industrial Editor



Winston Churchill saw wages councils as protection for workers; Mrs Thatcher thinks they restrict liberty and employment

employees with a system which jacks up considerably the wages paid to the critically important (to productivity) face workers, while other grades, especially surface workers, are at best left to stand still.

The general aim appears to be that those NCB employees who perform essentially identical or similar tasks as other workers elsewhere—as drivers, clerks, labourers—should not enjoy any longer a "coal industry differential," but find their market level with these other workers. To usher this in, and

time work—examples of the Government's argument that "freedom" is being denied by traditional labour practices. I newly-privatised British Telecom, the management has already attempted to tackle what the NCB wishes to grasp. In last year's wage negotiations, the BT management attempted to break the Post Office Engineering Union's internal relationship—which comprehend unskilled labourers and software technicians—so that the latter got more and the former less. The POEU successfully

## The Government's vision is a labour market cleared of obstacles. Its opponents see an attempt to weaken union power and drive down wages

to break the link between the various grades—only partially affected by the introduction of the incentive bonus scheme in 1977—could be one of the biggest prizes the Government and the Board could gain from the ruins of the strike, though it will still not be an easy trick to take.

In that other great state monopoly, the Post Office, industrial action is now being threatened by plans, on which the management are insisting, to remove the ceiling on the numbers of part-time staff to be employed in dealing with the inevitable "peaks and troughs" of mail handling and delivery.

Mr Alan Tiffin, the general secretary of the Union of Communications Workers, yesterday said unhappily that his members feared the "casualisation of the Post Office." He is in an unhappy position because he knows his members want the overtime which is officially frowned on in the trade union movement, and that many of his older and female members want the part-

defended the pass: but management will be back this year.

Pay is only part of it: the "greenfield" ventures are taking advantage of a slack labour market, by introducing labour practices which are light years away from what custom and practice has delivered to their competitors. Mr Peter Wickens, the director of personnel for Nissan UK—whose Washington, Tyne and Wear plant opens next year—predicts that it will have only two operatives grades—"manufacturers" and "technicians."

When Mr Wickens was employed by Ford UK—its own slouch in attempts to raise productivity and flexibility in recent years—he had to deal, he said, with no less than 500 job titles in the lower operative grades alone. Flexibility, he believes, depends on an end to the traditional craft attachment to separate job titles.

Even more iconoclastic, Mr Eddie Shah, hero or villain of the dispute between his Stockport Messenger newspaper and

the National Graphical Association—depending on your point of view—will attempt to start his new national newspaper with a total staff of 500 including some 300 self-employed local distributors who will operate on a franchise-holding basis.

Mr Shah is decidedly, as the Prime Minister would say, "one of us." For not only does he plan to introduce morning levels on his presses which are unheard of in existing national papers, he will also call into being a new sector of independent small business people—the local franchise holders for his national "Messenger"—who will rise early in the morning to make sure it gets to their newsagents in time for morning business, quite possibly running the gauntlet of angry unionised distribution workers who rightly perceive them as a threat to their practices.

The signs are there that the unions are coming to a reluctant realisation at national level that bull-headed opposition wins no battles any longer (at local level, pragmatic accommodation has been the order of the day for some years).

Mr Roy Grantham, general secretary of the white collar union Apea, last week launched a report on job design—the first time a UK union has done so. Mr Grantham, anticipating and absorbing management priorities, said that companies could achieve flexibility and higher productivity by using "group working and job enrichment" techniques.

Against this background, the measures on job and wage flexibility—the raising in the Budget of the qualifying period for unfair dismissal claims from one to two years, the lowering of national insurance contributions for lower paid workers, together with expansion of the Youth Training Scheme and the Community Programme, the subsequent stern consultative paper on wages councils and the expected package of measures from the Department of Employment—have a coherence and a purpose. In particular, the Government's identification

—in common with most other governments in advanced industrial countries—of the small business sector as the main locus of future job provision all but predetermines its labour policy towards the direction it is now clearly heading.

The case of the unfair dismissal legislation exemplifies this neatly. Studies of the legislation most recently by the University of Manchester Institute for Science and Technology for the Department of Employment, show no, or only minimal, linkage between the existence of the legislation and the propensity of companies to hire and fire. But for small companies, the climate, the feeling, is all important.

Linda Dickens, in a soon-to-be published work, makes the point: "Dismissal may or may not be an important aspect of the range of policies which employers adopt at any particular time in their pursuit of profit. Where it is, the introduction of legislation affecting dismissal will be experienced as a greater intrusion than where it is not. The most protest has come from the small-firm, secondary sector where not only is there likely to be a greater dissonance between the existing mode of operation and the requirements of the legislation, but where any time, effort and expense occasioned in complying with them or penalties imposed for failing to do so will be proportionately greater than in larger corporations operating in the primary sector."

In short, never mind the contradictory research findings, letting small employers fire people more easily makes them feel good—so good, in fact, that it may not fire them at all. In a slightly different context, the National Federation of the Self Employed and Small Businesses argues (in its pamphlet "Priced Out") that where its members are forced by wage council orders to pay higher rates than they otherwise would, they become "less tolerant of foolish" and "fire more easily."

In the "real world," the small employer whose day, no far as the Government is concerned, has finally dawned, may be a classic "Dickensian" sweatshop owner who bawls out his immigrant female workforce five times a day, or an Alliance-voting business tycoon who has hit it lucky in high-tech and employs a group of people whom he invites to his dinner parties and pays high wages.

Both want flexibility: the first to undercut the sweatshop down the road, or two continents away, which is undercutting him; the second, to allow remuneration packages to executives whose lifestyles and tastes are more akin to the 19th-century conception of the bohemian than the button-down businessman who always gets the 5.48. These are two extremes—between them, however, the world of work is shifting in both their directions at once.

"Twilight Robbery," by Philip Pearson, Photo Press: 22.25. "Dickensian," by Linda Dickens, Michael Jones, Dawn Weeks and Moira Hart, Blackwell: 22.

## The system and the arts

From Mr I. Fergusson,

Sir,—The "system" is killing British Arts and what is more it is killing British artistic enterprise. The whole basis of funding live performance arts is totally wrong. Each year there is a tremendous argument and usually something a little over or a little under the cost of living index is granted. Today's subsidies are nothing but a hotch potch of yesterday's mistakes.

Unfortunately much of the arts world would not survive without grants. How much better to subsidise actual seat sales. The more enterprising directors will tend to increase their audience and their income. Those who lack popularity will go out of business. This would eliminate the annual begging bowl and a handful of arts a decent deal with a seat subsidy formula and then let them get on with it.

Ian Fergusson, 4 Burns Court, Marine Parade, Dawlish Devon.

## Helmsman of Germany

From Dr W. Stuetzle,

Sir,—I refer to Peter Jay's piece on "Schmidt's role" (February 2). To put it mildly, the article greatly surprised me and not for reasons that necessarily flatter Peter Jay. Having been deeply involved in the preparation of Schmidt's lecture delivered in London in October 1977, I find it strange that Jay has not researched carefully enough before producing his piece, otherwise he could have known that Schmidt presented what was the result of a most careful analysis. This is not only true for what the Chancellor had to say about the problems associated with SS 20, but also for the paragraphs dealing

with the troop-reduction negotiations in Vienna, the very serious economic problems, etc. etc. by the way, what else would one expect from Helmut Schmidt, whose sense of duty (not to speak of his admiration for Alastair Buchan) would not have allowed him to speak to such a complex subject addressing such an audience.

"Notes hurriedly cobbled together on the plane" as Jay has it. It surely is everybody's right to be in disagreement with Schmidt's policy. It is something else to use the opportunity of reviewing a book for launching what seems to be a deeply rooted emotional attack on Helmut Schmidt, regardless of what the facts are.

(Dr) Walther Stuetzle, 1, Holderleipplatz 5, Stuttgart.

## Popular houses

From the Managing Director, ASFP.

Sir,—Colin Amery's article of March 11 amused me. I suspect he must be not only out of touch with the public but perhaps a little short sighted too!

The house clad in Bradstone re-construction stone which we built at this year's Ideal Home Exhibition is proving one of the most popular we've built at the show in 16 years and, in the view of most visitors, looks magnificent. Bradstone, of which he is so critical, weathers well, is extremely durable and is available at a cost that puts it within reach of far more people than would have been possible in the past. Charles Church, which also came under Mr Amery's attack, builds soundly and designs homes that the public want. Its houses are obviously and understandably popular. Is this so wrong?

If we built homes with the impracticalities of 200 or more years ago, no doubt Mr Amery would be the first to complain. Does Mr Amery feel that the public, almost 1m of which march each year to the Ideal Home Exhibition, should have

## Letters to the Editor

what it wants or what he, in his wisdom, feels it should have? Is he the only one in this?

John Bailey, 45, Station Road, Redhill, Surrey

Not every glasses wearer, though, faces problems as agreeable as whether they look best in \$300 diamond-encrusted spectacles or contact lenses. Some people need contact lenses for clinical reasons, through the hospital eye service. From April 1, the NHS charge for these will go up from £9.40 each to £25, or £50 a pair.

The NHS charge for one type of spectacles, suitable for post cataract patients, is going up from £11.75 to £31.05. This institute fears prices of contact lenses—less likely to be affected by market forces than commonplace lenses which are easy to make—will go up even more when all NHS supplies are ended, as the Government plans.

RNIB hopes the Government will think again about the effect on the most severely visually handicapped people of its current plans.

Lucille Hall, 234, Great Portland Street, W1.

Some causes of unemployment

From Mr S. Banks

Sir,—Your article on Teesside (March 19) is interesting if for no other reason than that it very clearly emphasises the folly of endeavouring to cure unemployment by massive government spending on what is known as the infrastructure. In spite of the massive expenditure on new roads, hospitals, schools, colleges and houses during the 1950s, 1960s and 1970s there is still very high unemployment. The reason is quite simply that government expenditure of this nature merely provides a work-

ing alternative to the dole and does not create any long lasting employment.

The article also points to the great dangers in assuming that the employment prospects for any area are best served by the introduction of major national, nationalised or international employers. Time and again it has been shown that many of these projects are marginal projects justified only by the availability of grants and other incentives and which will be closed as soon as the going becomes at all difficult.

It is ironic that the seeds of much of our current difficulty were sown by governments of which Harold Macmillan was either Prime Minister or a senior member. The failure of the Conservative Government in the 1950s to control inflation and its failure to reduce oppressively high marginal rates of tax provided the conditions in which the present decay was bound to occur. The effect of high marginal rates of tax was to bleed businesses of the working capital that they needed to expand and the reserves that they needed to survive difficult times. The population of Stockton should at least be thankful that we now have a Government that is beginning to realise that it must provide the economic conditions in which entrepreneurs can flourish. A prosperous south is essential to the prosperity of the north for it is in the markets of the south that the manufacturers of the north will find their own prosperity.

S. R. G. Banks, Pethercyn, Carnegie Road, Newbury, Berks.

Untapped source of revenue

From Dr N. Entwistle

Sir,—It is disappointing to note that the Chancellor of the Exchequer has not taken up the new form of taxation proposed

in your issue of March 16—namely the taxing of rain. I suppose that his excuse or reason—is that there is insufficient time in a few days to incorporate such a measure.

I wonder if I may have the privilege of airing in your columns another idea—the taxation of air. It is really too obvious to state that air is as essential to us as is water. It is a well-known fact that sea breezes charged with ozone are beneficial, how otherwise could our seaside resorts have flourished for so many years; on the other hand it is less beneficial to live in an industrial area where the air contains oxides of nitrogen and of sulphur and in places near to a lot of traffic-leads. People who live in the most remote parts of the UK are of course the people who are breathing the purest air. It should therefore be possible to devise a tax on air. No doubt it would be necessary to make note of measurements all over the country but hopefully this could be combined with the work on rain. It would be pleasing to think that accurate measurements would at last be incorporated into the work of the Treasury.

(Dr) N. Entwistle, 3, Collier Lane, Galdon, Shipley, W. Yorks.

Rain is taxed

From Mr M. Carter

Sir,—I was most interested to read your article on March 16 with regard to the possibility of taxation on rain. The most worrying aspect of this case is that the author after 30 years experience as a taxation manager has not grasped the fact that what he regards as a possibility is in fact already a reality and my recent water demand bill bears witness.

M. Carter, 51, Eskdale Avenue, Blackrod, Bolton, Lancs.

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# T & N recovery continues with £8m rise

Turner & Newall, the automotive and industrial components group, yesterday unveiled a further recovery in profits with the taxable result for 1984 showing an 8m advance to £20.5m.

This was after a higher cost of settling asbestos-related disease claims in the U.S. which rose from £7.6m to £10.7m, largely due to the stronger dollar.

The pre-tax outcome is the highest since 1978 and Sir Francis Toms, group chairman, says "our achievements in the last two years give me confidence for the continuing progress of the group."

Earnings more than doubled from £8.5p to 11.06p per £1 share and there is a partial restoration in the dividend with the directors recommending a final 1.5p distribution, making a total of 2.5p against 1p.

City analysts, however, had been looking for a higher pre-tax outcome of between £22m and £23m. The shares, which were dropped from the FT 30 Share Index in July 1982, lost 5p on the day to finish at 107p. Turner's profits peaked at £45m in 1977, but by 1981 they had fallen away to £11m and in 1982 the company was in the red to the tune of £19m.

From being a collapsed bank-supported conglomerate built on asbestos production, Turner has become a compact specialist industrial company, primarily involved in the automation and building industries.

Last October saw the company step out of the "banking lifeboat" which rescued it from the heavy losses in 1982 and problems over asbestos products.

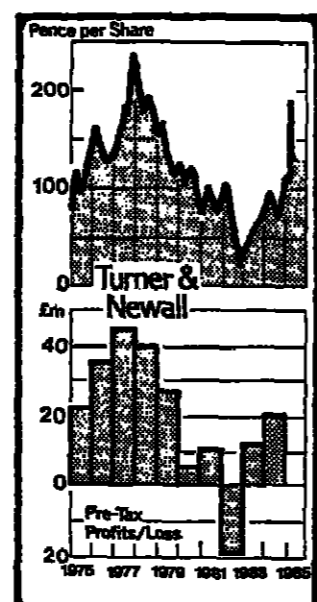
The return to profitable trading produced a reduction of £4.4m in net bank borrowings last year, says Sir Francis. Net finance charges in 1984 were £1.8m lower at £9.6m.

An 8p per cent increase from £10.7m to £11.06m in operating profits from UK companies was primarily behind last year's recovery.

Sales by UK companies, says Sir Francis, continued to improve led by a strong export performance and most of the operations again registered profit improvements.

TBA Belting, however, incurred a loss due to the miners' strike but Payen made a small operating profit.

He says the other European operating results improved due to a strong performance from



Perody Italians and some recovery in Curry's results.

Elsewhere, poor results from Hindustan Ferro brought about a decline in the Far East, but Nutram in North America again increased its contribution.

South African operations did better than last year but the

PERFORMANCE ANALYSIS

	Operating profit 1984	1983
Regional Summary	£m	£m
UK	19.9	10.7
Other Europe	2.5	1.3
Africa	12.7	13.4
India & Pacific	1.1	2.0
North America	4.2	3.1
Divisional Summary		
Automotive	16.7	10.6
Construction & Inds.	18.4	13.4
Plastics	3.9	3.9
Mining	1.4	2.6
Total*	40.4	30.5

\* Continuing businesses.

weakness of the rand adversely affected the results on transition to sterling.

The profits of the manufacturing companies in Zimbabwe, although lower than in 1983, "were creditable," says the chairman.

But he says results from other

African companies were worse than in 1983 as limited currency allocations for imports made it impossible to meet demand.

Total group turnover was lower at £471.9m, against £488.5m, and in addition to the asbestos claims and finance charges there was an exceptional debit of £1.1m (£0.1m) for redundancy and severance costs — related companies added £2.3m (£1m).

The tax charge was up from £5.3m to £7.1m. After dividends, minorities of £1.4m (£0.9m) and extraordinary debits of £1.8m (£0.3m) relating to closures and restructuring, retained profits were static at £7.4m.

Capital expenditure doubled to £8m in the UK businesses and the group total was £16m, a rise of £3m. Sir Francis says that the group's debt equity ratio fell from 23 per cent a year ago to 21.3 per cent.

● The results of the Zimbabwe mining subsidiary, Shabanie & Mashaba Mines, remain unconsolidated. Turnover was £53.7m, against £50.3m, and retained earnings amounted to £3.5m compared with £0.2m.

See Lex

## Fasteners boost Newman to £5.4m

By Ian Rodger

PRE-TAX profits of Newman Industries, the diversified engineering group, rose 50 per cent last year to £5.4m, mainly on the strength of doubled profits from the industrial fasteners division.

Mr Nigel McLean, the chairman, says that results indicate that the consolidation period for the group following its liquidity crisis and emergency £2.3m rescue financing two years ago is over.

Ways and means are being sought to enable the company to expand more rapidly, restore dividends and simplify the financial structure. "The board is giving active consideration to specific proposals and hopes to make a full announcement in the near future," Mr McLean says.

Since the refinancing, the company has had an awkward capital structure, with preference shares accounting for over £14m of the £17.7m equity base. "The preference capital is in a series that has the right to participate in profits once they exceed £2.5m, but other series and the ordinary shares still receive no dividends," Mr McLean says.

He adds that "despite the increase in profit gearing remains high and directors consider it imprudent to make any further dividends in respect of 1984."

Turnover last year rose 23 per cent to £57.4m and trading profit was up 32 per cent to £7.3m (£5.9m). Ardel, the fasteners subsidiary, raised its trading profit from £2.3m to £10.1m, electric motors slumped from a £0.4m profit into a £2.3m loss and engineering products profits were up from £0.4m to £0.5m.

Tax took £2.5m (£1.2m) and extraordinary items £0.2m (£0.5m), leaving attributable profits of £2.7m (£1.9m) or 3.1p (2.5p) per share.

Mr McLean says the electric motors division, which received little investment for many years, "is in the course of a major and comprehensive investment programme to counter its loss position and bring the division back into a competitive state."

● comment

Newman has recovered more quickly than expected, thanks largely to Ardel, a world leader in sophisticated rivets and other industrial fasteners up to the size of a grizzly decision to go for investment in this business rather than concentrating on paying down huge group debts has certainly paid off here.

In the past two years, Ardel has spent £7.9m, developing products and improving machinery and its profits have grown from £3.7m to £10.1m. It remains to be seen whether Newman can pull off the same stunt in electric motors, a sector in which it is not a significant player.

But at least the thinking—that it is worth shareholders' patience through investing in product design and better production equipment—is a refreshing one in a British engineering company.

It appears these same directors may also convince their preference shareholders to convert to ordinary shares and raise new money to reduce borrowings, which stand at about 90 per cent of the £23.2m of shareholders funds. The shares rose 4p to 33p where the fully diluted p/e is 10.

## Lower second half leaves Hepworth Ceramic at £35.2m

SECOND half pre-tax profits of Hepworth Ceramic Holdings, building, construction and refractories concern, fell from £18.47m to £15.18m and left the full 1984 result at £35.23m, against £35.52m previously.

The dividend total is increased to 6.75p, compared with 6.3p, however, with a final payment of 4p (3.5p) net. Stated earnings per 25p share are given as 14.12p (12.39p).

Tax and interest charges of £2.61m (£2.13m), profits of £37.84m (£35.65m) were split between building and construction materials £21.87m (£23.88m); refractories £5.10m (£3.41m); industrial sands, minerals and resins £10.33m (£8.15m); engineering and miscellaneous £394,000 (£203,000).

The directors say that in the first half of the year the company achieved a record profit of £20.1m but was unable to sustain it in the second half because of extraneous factors over which it had little or no control.

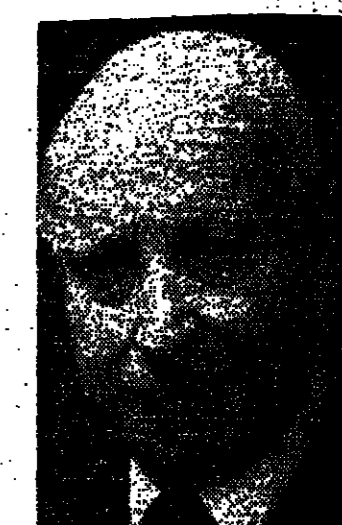
They explain that the imposition of VAT on the DTV market caused an imbalance of demand in the second half, while the miners' strike had the direct effect of reducing profits by more than £1m. The indirect effect may well have been twice that figure, the directors say.

They add that a severe price war broke out in that part of the plastics industry, "which can loosely be described as plumbing components," the immediate effect of which was to reduce profitability.

The directors say the increases in bank base rates during the second six months of 1984 and, to a lesser extent, mortgage interest rates, had an immediate effect on housing starts.

Apart from these matters the directors say the group continued, on the level of demand available, to produce profit at the same rate in the second half, as it did in the first, and the underlying position is therefore very sound.

Pre-tax figure included related companies' profits of £75,000, compared with £254,000 losses last year. Tax charge was £33m, against £34m, and the net result was £12.5m (£10.9m). There was also a deferred tax provision of £12m (£30.35m).



Mr Peter Goodall, chairman of Hepworth Ceramic

and goodwill debit of £1.8m, against £66,000.

● comment

Hepworth Ceramic's explanation for an unexpected 52m shortfall in year-end profits looks a bit thin, even though the chairman's statement did give a blanket warning of the possible effects of the then apparent slowdown in the economy. For one, the statement was made three months after the imposition of VAT on home improvements, yet no reference was made to the impact it was having at the time.

Secondly, the 52m profits estimate of the effect of the miners' strike looks somewhat high given that refractories, the activity it would most affect, actually increased its profits by almost £1.8m. And thirdly, the reference to interest rates looks somewhat obscure as average 1984 rates were actually lower than the previous year. Added up, it looks like the company has taken a beating all round in the second half, especially in the plastic pipes division. With only the miners' strike over, the inevitable conclusion is that 1985 will bring just marginal growth.

Assuming around 35m and tax at 36 per cent, the prospective p/e of almost 9 at 124p, down 6p, looks a little demanding given the state of the sector.

## Eucalyptus Mills jumps to £7.23m

FOLLOWING A turnaround from losses of £1.09m to £3.35m profits at midway, Eucalyptus Pulp Mills has turned in a sharply higher taxable surplus of £7.23m for 1984, compared with £360,500 previously. The dividend has more than doubled from a gross 7p to 15p, which includes a special payment of 5p.

The shares jumped 30p to close at 500p.

Turnover for the 12 months expanded from £17.07m to £25.37m while trading profits surged from £2.4m to £8.28m for the period. The pre-tax figure was after a £1.05m (£1.55m) provision for unrealised exchange losses.

The directors point out, however, that in a cyclical industry, with a large oversupply of pulp in the market, comparable results for the current year cannot be expected.

They say that profits for 1984 were a record, due to the substantial capital investment in recent years, the strong market upturn and favourable exchange rates.

The directors explain that the much higher dividend is to take account, both of the "exceptionally high profits" and that no dividend was paid in 1982. They say the timing of the payment will depend upon when permission is received from the Bank of Portugal to remit the necessary funds.

Tax charge amounted to £1.76m, against £245,800 and after minorities, £384,359 (£52,567) the attributable balance came through well ahead at £5.1m (£52,135). Earnings per 25p share jumped from a stated 14.8p to 136.9p.

The directors say that, as in previous years, adjustments have been made to the accounts of the Portuguese subsidiary, Companhia Celulose do

## Wolstenholme up 47% and calls for £2.6m

Wolstenholme Rink reports a 47 per cent lift in pre-tax profits to £1.69m for 1984 and announces plans to raise about £2.59m net by way of a rights issue.

The issues will be on the basis of one new share for every four held and is underwritten by Lazard Bros. & Co. Joint brokers are Cazenove & Co and Henry Cooke, London and New York.

The directors say further progress will be made in existing businesses and Omnicrom (which is engaged in single colour photostating) will start

selling its products shortly and is expected to contribute to 1985 profits.

The net final dividend is raised from 4.25p to 5.25p, which lifts the total by 1p to 7.75p. Earnings per share are shown as moving up from 18.8p to 25.8p.

The directors expect to be able to at least maintain the 7.75p total in 1985 on the capital enlarged by rights.

Turnover of this group, which produces bronze and aluminium powder, and sells pigments and chemicals used in printing,

packaging and paint industries, moved ahead from £19.21m to £21.51m.

Commenting on the rights issue the directors point out that Wolstenholme Rink has been involved in a heavy investment programme over the past three years, including the acquisition of new businesses.

Funds required for expansion have come from profits which they point out have more than doubled at the pre-tax level in the past two years, and from

borrowings. For 1982 profits had fallen to £559,000.

In early 1982 the directors decided on a major investment programme at Wolstenholme Bronze Powder which involved concentrating all activities on one site. The main purpose was modernisation of the manufacturing process. The total cost of the programme is expected to be about £4.2m, and they point out that the move has caused disruption to business and significant non-recurring costs.

Pegler-Hattersley, the Doncaster-based brass founder, industrial valve maker, has agreed in principle to buy Satchwell Smith & GEC subsidiary specialising in electronic heating controls, for £12.5m in cash.

Pegler reckons the acquisition will give it a wide range of mechanical and electronic components for its building products division which makes fittings for plumbing and heating.

Satchwell, based near Glasgow, earned £207,000 pre-tax profits last year, down from £1.5m in 1983, after costs incurred in moving factory. But Pegler expects a "significant" recovery this year.

Satchwell's net assets being acquired are estimated at £4.5m.

Kio/Monument

The Kuwait Investment Office has increased its stake in Monument Oil and Gas, which was launched on the USM last November, from 18.1 per cent to 25.54 per cent.

Sanderson Murray

Sanderson Murray & Elder (Holdings) which has wool-combing interests, achieved taxable profits of £53,291, against £40,345, in the six months to end December 1984.

Turnover amounted to £2.73m (£2.74m).

Clyde has stakes in the Balmoral Field and Wyth Farm among others. It put its US oil and gas interests up for sale at the end of last year saying it planned to concentrate on exploration and acquisitions in the UK and north-west Europe.

Mr Jim Lindars, Petrolex's managing director, said yesterday: "We shall continue to resist at this level. The new bid grossly undervalues the company both in its present form and in terms of its future prospects."

Petrolex floated 14 per cent of its shares on the USM last June at a placing price of 68p. It has exploration interests in some UK offshore blocks as well as a 0.25 per cent stake in Forties Field production.

Clyde said its revised offer represented an increase of 10 per cent on the Petrolex share price of 75p, and a rise of 56 per cent on the market price of 48p ahead of the original offer.

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## Clyde lifts Petrolex offer by £2m

BY CHARLES BATCHELOR

Clyde Petroleum, the independent oil company, yesterday increased the value of its takeover bid for Petrolex, a smaller USM oil group, by £2.1m to a final offer of £11.7m cash.

Petrolex immediately rejected the increased bid which, it said, "falls dismally to reflect the intrinsic worth of Petrolex."

The new offer is worth 75p for each Petrolex share compared with the original bid of 58p per share made on January 31.

Petrolex's shares rose 7p yesterday to 75p to match the bid price. Clyde's shares eased 1p to 86p.

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## Preference twist in SHT bid

BY CHARLES BATCHELOR

A RELATED twist to the long-running takeover bid from Scottish Heritage Trust (SHT) for Hoskins & Horton, the engineering and quarries group, emerged yesterday.

SHT has been forced to increase the value of its offer for the 20,000 Hoskins preference shares from 100p to 105p to bring it in line with the company's preference shares.

The offer is worth 75p for each Petrolex share compared with the original bid of 58p per share made on January 31.

Petrolex's shares rose 7p yesterday to 75p to match the bid price. Clyde's shares eased 1p to 86p.

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90 per cent level of preference shares which would have allowed it to compulsorily buy in the rest. This would have left it with an outstanding minority and the preference share listing would have had to be maintained.

SHT battled with London and Midland Industrials (LMI) for control of Hoskins for nearly four months and the two companies made no fewer than eight bids.

SHT finally knocked out LMI on the final day of the bid contest in mid-February. SHT increased the value of its bid to 99p and won the support of holders of 62 per cent of Hoskins ordinary shares.

In the month that followed acceptances continued to come in to give SHT more than 80 per cent of the ordinary shares. But a small number of preference shareholders held out.

Yesterday's increase in the preference share price gives SHT another four months to complete the bid.

At Burton, the company is in the midst of a £75m capital expenditure programme. At the AGM it was reported that sales were down and that shareholders are reasonably confident that this momentum has been at least maintained, although there are doubts now that the group can

SUMMARY OF THE WEEK'S  
COMPANY NEWS

## Take-over bids and deals

The independent directors of Mithal have now agreed to revised bid terms from British Electric Traction. BET's latest profits and dividend forecast helped clinch the deal.

Scottish and Newcastle Breweries mounted a \$88m bid for Matthew Brown, but Brown immediately rejected the offer and expressed its strong determination to remain independent. S & N has built a 4.9 per cent stake in Brown, but failed to gain more shares when it launched a "down raid" at just under 38p last Monday.

Britoil has acquired a group of U.S. gas and oil producing territories along with some exploration acreage from Freeport McMoran, an oil and gas minerals group, for \$64.7m.

Company	Value of bid share**	Price bid per share**	Value of bid share**	Price bid per share**	Bidder
Prices in pence unless otherwise indicated.					
Banco India	752	80	66	4.30	CH Industries
Bombardier	200	28	63	1.01	Promotions Hse
Booker McConnell	2891	255	259	338.18	Dec Corp
Butterfield-Hirvy	277	264	324	3.21	Technology Inc
Brown (Matthew)	368	415	323	83.09	Sci & Newcastle
Dunlop	24	851	31	34.52	BTR
E of Scot Oushere	57	80	68	1.55	Ind Fin & Inv Co
Elson & Robbins	254	54	63	7.85	Hartons Group
Foster Bros	223	206	228	104.43	Scars Hldgs
Haden	240	302	232	37.18	Trafalgar House
Hoskins & Horton	3298	343	370	8.93	Lon & Mid Inds
House of Fraser	400	396	346	430.92	AI Fayed Inv & Trust (UK)
Hurst (Charles)	200	190	190	4.32	Garvaghi Secs
Imed Business Sys	40	40	54	5.40	Webbhorator Ind
Inglis	80	88	73	7.30	CH Midland Co-op
Infinit	5411	524	533	17.76	BET
James J. & H. B.	109	116	84	25.98	Williams Hldgs
Lake & Elliot	307	121	13	2.25	Bramall (C.D.)
Manor National	131	121	13	42.65	Quadrax
Martha (R.F.)	450	440	420	113.38	Barras & Crisid
Pauls	3813	363	230	11.71	Clyde Petroleum
Petrolux	75	75	50	4.59	Assoc Book
Reid & Kegan Paul	403	390	283	7.04	Citipac
Seacombe, Marshall	440	435	390	250.25	P & O
Shirley Guarantee	70	70	325	0.20	Weber Hldgs
Thames Inv & Sec	5	5	11	0.03	Weber Hldgs
Times Inv & Sec	5	5	11	0.03	Weber Hldgs
TNT Group	251	115	78	1.67	Smurfit (J.)
Toto	70	70	23	124.03	Enrad Corp
Trident TV Ord	2495	252	209	3.64	Pleasurama
Trident TV A7	2374	252	209	110.24	Pleasurama
Unibond	231	225	155	13.88	Beecham
Whittington	308	29	22	13.82	Aitken Hume

\* All cash offer. \*\* Cash alternative. † Partial bid. ‡ For capital not already held. § Unconditional. \*\* Based on March 22 1985. †† At suspension. ‡ Shares and cash. § Related to NAV to be determined. || Loan stock. ‡ Suspended.

## PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
Auto Products	Dec	3,900 (4,000)	3.7 (4.2)	1.5 (1.0)
Bestwood	Dec	234 (279)	10.0 (12.4)	6.0 (7.5)
BICC	Dec	90,300 (82,000)	19.2 (17.8)	10.54 (10.54)
Boddingtons	Dec	9,460 (9,100)	7.0 (6.9)	2.85 (2.84)
Bowater Ind	Dec	36,700 (37,600)	24.6 (24.7)	8.5 (7.75)
Brickell	Dec	688,100 (586,300)	33.8 (28.7)	11.5 (10.0)
Camb Elect	Dec	11,870 (9,720)	21.0 (17.0)	7.0 (6.0)
Church & Co	Dec	4,720 (2,300)	62.1 (33.9)	8.0 (11.0)
Comhill Ins	Dec	14,100 (13,000)	—	—
Fife Indmar	Dec	751 (703)	—	—
Gratton	Jan	9,650 (6,140)	20.2 (7.1)	3.0 (1.0)
Hawth Whiting	Jan	2,110 (442)	20.6 (3.3)	1.5 (—)
Hewitt, L.	Dec	841 (1,030)	—	—
House of Travel	Nov	12,527 (12,570)	19.5 (28.3)	4.4 (4.0)
House of Lerose	Dec	1,540 (1,450)	12.7 (1.5)	—
Howard, John	Dec	1,540 (1,450)	12.7 (1.5)	—
Joel Enterprises	Oct	91 (118)	—	—
Jaguar	Dec	91,500 (50,000)	31.7 (27.5)	4.75 (—)
Jones & Shipman	Dec	1,070 (750)	8.6 (2.7)	1.0 (1.0)
KLA Drilling	Dec	2,520 (6,720)	—	—
Kennedy Brook	Dec	4,420 (2,500)	10.9 (8.7)	2.4 (1.38)
Laird Prop	Dec	13,900 (11,100)	23.2 (12.1)	6.25 (5.5)
Mac Glenlivet	Dec	745 (671)	—	—
MacLach, Hugh	Dec	659 (361)	102.4 (92.8)	4.6 (4.0)
McLough & Harv	Dec	1,470 (1,670)	21.5 (32.9)	7.0 (7.0)
Mersey Docks	Dec	807 (7,000)	—	—
Morgan Grenfell	Dec	3,050 (2,540)	6.4 (4.6)	2.27 (2.06)
Mrs. W Fine Arts	Dec	20,410 (16,450)	315.0 (240.9)	8.5 (6.0)
Newey	Dec	755 (—)	—	—
Oliver, George	Dec	1,350 (1,020)	49.2 (36.0)	—
Petrolux	Dec	2,690 (2,580)	33.6 (36.8)	8.0 (7.0)
Petrolux	Dec	745 (671)	—	—
Petrolux	Dec	1,350 (704)	—	—
Pleasurama	Dec	2,110 (442)	20.6 (3.3)	1.5 (—)
Rentokil	Dec	25,250 (17,100)	24.0 (11.9)	5.5 (4.5)
Rob Bros (Ryder)	Dec	24,750 (20,625)	—	—
Rockware	Dec	121L (890)	—	—
Sale Tilney	Nov	2,740 (12,830)	7.7 (—)	—
Sater	Dec	3,100 (2,150)	—	—
Sater	Dec	4,440 (2,180)	—	—
Sater	Dec	2,940 (2,180)	—	—
Trinity Int	Dec	6,550 (5,100)	34.9 (22.6)	14.0 (12.3)
Wates City Prop	Dec	1,450 (—)	—	—
Watnoughs Hldgs	Dec	2,300 (2,100)	21.9 (21.0)	6.25 (6.21)
Wilkes, James	Dec	770 (132)	—	—
Willis Faber	Dec	47,000 (38,300)	29.2 (23.6)	13.0 (10.5)

## INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
A & G Sec Elect	Jan	405 (457)	0.48 (0.48)
Armstrong Equip	Dec	1,510 (1,050)	0.3 (0.2)
Barratt Dev	Dec	4,070 (19,070)	2.31 (2.31)
Boiton Text Mills	Oct	69 (108)	—
Chambers & Fergus	Dec	691 (69)	—
Colin Ind	Dec	248 (220)	1.1 (1.1)
CPU Computer	Dec	100 (806)	—
Dunton Group	Nov	701 (47)	—
Gen. S. R.	Dec	90 (2,150)	1.0 (1.0)
Grosvener Grip	Dec	449 (326)	2.25 (2.25)
Hamm, J. & Co	Dec	3,930 (4,116)	2.5 (2.5)
Mitchell Cotts	Dec	936 (710)	2.25 (2.0)
Pac Sales Org	Dec	4,330 (3,450)	1.5 (1.5)
Paterson Zach	Nov	17,520 (14,230)	1.56 (1.45)
Pfizer Hldgs	Oct	478 (501)	1.7 (1.7)
Prentiss Hldgs	Dec	424 (123)	0.38 (—)
Reidway	Dec	1,520 (1,120)	0.6 (0.5)
Sirard	Jan	4,830 (4,570)	1.32 (1.25)
Star Comp	Oct	393L (320)	—
VW Thermax	Dec	412 (903)	—
Waring & Gillow	Sept	408L (133)	0.75 (0.75)

(Figures in parentheses are for the corresponding period.)

\* Dividends are shown net of tax except where otherwise indicated. † Profits after tax. ‡ For 15 months. L.Loss.

## Rights Issues

BBA Industries—To raise \$8.1m through a one for four rights issue at 60p per share.

Cape Industries—To raise \$9.5m through a rights issue on basis of one 8.4 per cent convertible preference share for every three ordinary shares held.

Jackson Exploration—To raise £20.65m through a three for five rights issue at 70p per share.

Mitchell Cotts—To raise £12.5m through a one for four rights issue, or 38.75 new shares for every £100 of stock held. Price is 66p per share.

Watnoughs Holdings—To raise \$5.19m through a one for four rights issue at 240p per share.

## Scrip Issues

Fin Indmar—One for one.

Pleasurama—One for one.

Systems Designers International—Four for one.

Wilkes, James—One for four.

## Offers for sale, placings and introductions

New London Oil—Offer for sale of 6.5m shares at 175p per share.

Plantation Trust Company—Offer for sale of 1.4m shares at 67.25p to raise \$9.7m after expenses. One unit equals five ordinary shares, one warrant to buy an ordinary share and \$2.50 of convertible stock.

Sintrum—Offer for sale by tender of 2.4m shares at 175p per share.

BHP registers 17% gain  
in third-quarter profits

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE FINALE to a record week for Australian stock markets was provided yesterday by Broken Hill Proprietary (BHP), the country's largest company, which announced a one-for-eight scrip issue on the strength of a 17 per cent lift in third-quarter net profit, to A\$194.6m (US\$138.2m).

BHP's net profit for the nine months to February 28 was A\$547.6m, up 21.4 per cent on the same period last year. Third-quarter sales were 24.1 per cent ahead at A\$1.5bn for a nine-month total of A\$5.5bn, a 31.7 per cent advance.

The stock market, already buoyed by strong demand for resource stocks—particularly in oil and gas—celebrated BHP's performance by pushing the All Ordinaries index 8.5 points higher to a peak of 810.8.

Oil and gas stocks are in good demand because of Middle East tension and the recent sharp depreciation of the Australian dollar against its U.S. counterpart.

BHP's petroleum division showed a third-quarter net profit of A\$117.3m (up from A\$107.1m) for a nine-month total of A\$340.9m (A\$233.6m). Steel recovered further from A\$26.7m to A\$32.9m in the latest quarter while the Utah coal division, acquired from General Electric a year ago, made maiden net contribution of A\$33.7m.

The May 1985 half-yearly dividend will be 15 cents per share, against a comparative rate of 12.5 cents last November, and 11.5 cents last May.

The payout for the 1985 year—BHP's 100th—will total about A\$262m, up 77 per cent. The bonus issue shares will qualify for the forthcoming dividend.

BHP said its currency exposure had changed markedly during the past year. Its foreign

currency borrowings, which are substantial, were now balanced by overseas assets denominated in foreign currencies, mainly U.S. dollars. The group's accounting policy for foreign currency transactions has accordingly been modified.

With the bulk of its revenues expressed in U.S. dollars, and costs in Australian dollars, BHP has been a major beneficiary from the recent depreciation of the local currency. Over the next 12 months, BHP expected to survey a range of further U.S. investment choices in minerals, oil and gas, and in steaming coal which is viewed as the favoured candidate.

BHP is expected to make a decision to proceed with development of the ultra low-cost Escudrita copper mine in Chile later this year, with production expected to begin early in 1987, eventually building to an annual output of 300,000 tonnes.

NZ timber  
group bids for  
ACI offshoot

BY OUR FINANCIAL STAFF

CARTER HOLT, a New Zealand sawmiller and pulp group, yesterday launched a NZ\$551m (US\$253.7m) bid for Alex Harvey Industries, a packaging and building products producer which in January fought off an attempt by ACI International, its Australian parent, to take full control.

The value of the new bid—among the largest the New Zealand market has seen—compares with the NZ\$453m price put on the whole of the company by the November offer which ACI for the 44.4 per cent which lies outside its control.

That offer, fiercely resisted by Harvey, was eventually withdrawn after the New Zealand Finance Minister refused clearance.

Harvey's initial reaction yesterday was a little more positive, advising shareholders not to sell until it decides next week which way its recommendation should go.

Carter Holt said its bid was directed particularly at the minority public holding but did not exclude ACI's 55.6 per cent. It is offering NZ\$3.65 cash or one of its own shares plus 45 cents for each Harvey share.

Harvey shares jumped 25 cents on the news to NZ\$3.50 while those of Carter Holt dipped 10 cents to NZ\$3.15.

In its year to March 1984, Harvey boosted net profit, before extraordinary items, by 36.6 per cent to NZ\$38.04m.

Strong U.S. dollar limits  
sales growth at Seagram

BY BERNARD SIMON IN TORONTO

SEAGRAM, the Canadian-based wine and spirits group, lifted earnings to US\$83.6m, or US\$4.22 a share, in the year to January 31, from \$317.5m, or \$3.53 a share, a year earlier. The earnings include \$141.3m in dividends and \$141.4m in unremitted income from the U.S. in which Seagram has a 21 per cent interest.

Sales rose by 7 per cent to \$2.6bn, and operating income was 6 per cent higher at \$245.6m. The company said that sales volumes climbed in U.S. and international markets, but the strong U.S. dollar eroded the value of international gains. Income from wine and spirits

declined from \$119.4m to \$113.8m.

Net earnings were also dented by a rise in interest charges from \$67.8m to \$88.0m, reflecting the cost of financing recent acquisitions.

Members of the Bronfman family, based mainly in Montreal and New York, hold about 41 per cent of Seagram's shares. Seagram's directors have proposed creating a new class of share designed to raise the Bronfman family's voting power to more than 50 per cent. The new shares, to be called class B shares, will each have 10 votes, but will be entitled to lower dividends than the single-vote common shares.

## Fiat income boost for IFI

IFI, the Turin-based holding company which handles the Agnelli family's stake in Fiat and other companies, recorded net profits of L4.5bn in the six months to December of last year. The comparable figure for the same period in 1983 was L2.4bn and the total 12-month profit to last June was L24.5bn, writes Alan Friedman in Milan.

IFI said it derives most of its income from the payment of dividends from Fiat, which takes place in July and thus explains why the July-December

half-year is the period which is relevant. Of the L4.5bn of profits to December 31, some L2.2bn represented Fiat dividend.

IFI's stake in Fiat has risen to 31.3 per cent from 30 per cent a year ago. Other major Agnelli family holdings through IFI include 51.4 per cent of the Toro insurance group and 48.7 per cent of the Rinascente department stores group.

IFI's total portfolio of holdings at year end was L558.4bn against L501.3bn. Total net debt was L45bn.

## FFr 501m deficit at Banque Worms

BY DAVID MARSH IN PARIS

BANQUE WORMS, the third largest French investment bank, registered a net loss of FFr 501m (\$51m) last year, against a net profit of FFr 12m in 1983, as a result of FFr 727m in provisions to clean up its balance sheet.

The bank, which was nationalised in 1982, came under the control of the state-owned insurance group Union des Assurances de Paris (UAP) last autumn. It has now become the latest in a series of banks taken over by the state to have to turn to the government for important financial aid to restore the

health of their balance sheets. The others include Banque Vernes, Europenne de Banque (the ex-Rothschild bank), Banque de L'Union Europeenne and Credit du Nord.

The cleaning up exercise has been undertaken by M. Jean-Michel Rioc-Haine, Banque Worms' new chairman, who took over last June.

A large share of the massive provisions—which compares with a gross figure of FFr1bn for total receipts last year—were struck on credits to Latin America, especially for private property-related loans. They

also reflected risks in France and loans to industrial borrowers, above all the oil services group Amrep which went bankrupt last year and to which the bank was significantly exposed.

The bank is now starting to make a fresh start based on its alliance with UAP, which is planned to lead to a range of new financial products. The bank, which now has own capital funds of just over FFr 1bn and a balance sheet total of FFr 50bn, plans to open three foreign offices this year—in New York, Hong Kong and Singapore.

\$1.3bn  
buyout for  
McGraw  
Edison

By Our Financial Staff

McGraw-Edison, the Illinois-based manufacturer of electrical and mechanical equipment, has agreed to be taken over by Forstmann Little, the U.S. leveraged buyout specialists, in a \$1.3bn deal.

Forstmann Little which is structuring the deal as a management buyout for the power systems, motors and automotive equipment, is paying \$58 in cash for each of the company's 16.6m shares. However, the purchasers are also assuming or refinancing debt, bringing the total value of the deal to \$1.3bn.

McGraw-Edison's shares were suspended at start of trading yesterday at \$44, at which price the offer represents a 32 per cent premium. Mr Nicholas Heymann, an analyst with Drexel Burnham Lambert, said there had been recent speculation that the company could go private in a management buyout at about \$50 a share.

Forstmann Little, a private investment firm, said it would invest about \$300m of its capital in the transaction. The balance of the purchase price would come from bank loans.

McGraw-Edison's senior managers will be offered an equity participation in the acquiring company. Consumption of the transaction is subject to a definitive merger agreement and completion of bank financing, and the fulfilment of other customary conditions.

McGraw-Edison made net profits of \$21.7m in 1983 on sales of \$2.1bn. Earnings per share were \$1.92, and were share last year, excluding 55 cents a share from the discontinued process equipment segment.

Sandoz again  
increases  
its payout

By Our Financial Staff

SANDOZ, the Swiss pharmaceuticals and dyes group with a big dollar sales base, reports strong profit gains for 1984 and plans to raise its dividend for the second year running.

After tax, profits have risen to SwFr 411m (\$151m) from the SwFr 320m of 1983. The year's turnover improved by 14 per cent to SwFr 7,438m. North American sales account for around a third of the group total.

The dividend payment is being raised to SwFr 90 a share from the SwFr 80 paid for 1983.

All product divisions contributed to the higher sales with the agri-products side moving especially smoothly—up by 26 per cent to SwFr 580m on the back of the strong dollar and a revival in U.S. demand.

The fast expanding food division turned in the sharpest sales growth, more than doubling turnover with the aid of acquisitions. Pharmaceutical sales rose by 14 per cent to SwFr 3,458m.

Group capital spending in 1984 totalled SwFr 504m, and R & D costs are put at SwFr 634m. Both figures are ahead of their 1983 counterparts.

Paribas pulls out of  
HK financial group

BY DAVID DODD WELL IN HONG KONG

PARIBAS, the French investment banking group, yesterday sold its 25.5 per cent holding in Sun Hung Kai of Hong Kong to Mr Fung King Hing for HK\$227m (\$29m).

The sale brings to an end a seven-year link between Paribas and the Hong Kong-based merchant banking, trading and securities group. Since a HK\$200m rescue of SHK in October 1983, Paribas and Merrill Lynch of the U.S. have held a 51 per cent controlling stake in the group.

Merrill Lynch said yesterday that it intended to retain its 25.5 per cent holding "as a long term investment." However, the Paribas sale restores control of SHK to Mr Fung, who is the group's founder and still chairman. The 1983 rescue dilutes his shareholding to 28 per cent. Yesterday's deal restored it to 53.5 per cent.

The deal comes after major reorganisation of SHK. At the beginning of March, it sold its 20 per cent holding in HK-TVB, one of Hong Kong's two leading television companies, for HK\$480m. Early this week, the retail banking subsidiary was sold to the Bahrain-based Arab Banking Corporation for HK\$360m.

M. Philippe Aubert, managing director of Paribas Asia, insisted that the disposal implied neither a withdrawal from Asia,

nor disenchantment with its role inside SHK.

Paribas' expansion in the region has involved the recent purchase of a 15 per cent stake in the Australian Bank, setting up a joint venture in Thailand, opening a fourth mainland Chinese representative office (in Tianjin), and two joint ventures with the Bank of China, which has been active in Asia's capital markets, where it has recently broken new ground with interest rate swaps arranged for Daewoo of South Korea and Security Pacific in Hong Kong.

Mr Aubert talked yesterday of increasing the group's capital base "very soon." This, with the proceeds of the SHK sale, will be spent on further expansion in the Asian region.

Mr Bill Arthur, transferred recently from Merrill Lynch to be managing director of SHK, refused to comment yesterday on whether Mr Fung's recovery of control would lead to any management changes.

Mr Fung is acquiring the Paribas stake through a controlled company called Hsuyun and is extending a general offer to outside shareholders. Merrill Lynch is not taking up the offer. If a substantial number of shareholders take up the offer, Mr Fung will arrange a share placement to ensure the group maintains its stock market listing.

Bond joins Arnotts battle  
with A\$405m cash offer

BY OUR SYDNEY CORRESPONDENT

MR ALAN BOND'S Bond Corporation of Perth yesterday unveiled an A\$405m (U.S.\$284m) offer for Arnotts, Australia's leading biscuit maker.

Bond's intervention complicates still further the complex takeover battle between Arnotts and another Australian food group, Allied Mills.

Shareholders in Arnotts include Allied with 19.9 per cent, Campbell Soup of the U.S., revealed yesterday as the holder of 10 per cent, but keen to go to 25.1 per cent; Bond itself with 3 per cent; and family interests which hold about 40 per cent.

Those with holdings in Allied include Arnotts, which has 22 per cent; Industrial Equity (IEL) on 19.9 per cent; Goodman's of New Zealand with 14.7 per cent; and Westpac Banking Corporation with 7 per cent.

Our Financial Staff adds: The Arnotts bid is being made on a cum bonus and dividend basis, allowing Bond to retain the shares due to be issued in the biscuit maker's proposed one-for-five scrip as well as its 7 cents a share interim payout.

Arnotts moved swiftly yesterday in preparing its defence, more than doubling the Campbell stake to 10 per cent by placing 5.6m shares with the U.S. company at A\$4 each. Campbell is to seek approval from Australia's Foreign Investment Review Board to boost its holding further.

Arnotts, which has interests extending to pet foods and snack products, said the placement was an integral part of technology exchange and marketing arrangements between the two.

Bond later moved to challenge the placing, saying its directors "have determined that they will seek to test the validity of such a preferential allotment made by Arnotts to Campbell today and its timing."

## Thyssen resumes dividend

BY PETER BRUCE IN BONN

THYSSEN, the West German industrial concern, and the country's biggest steel producer, is to resume paying dividends this year. Herr Dieter Spethmann, Thyssen's chairman, told shareholders yesterday the group would also be making a capital increase "as soon as possible."

The timing and the size of the planned capital increase remain unknown, and Herr Spethmann did not hint at the size of this year's dividend. Thyssen last paid a dividend in 1981-82, despite a return to a net DM 181m (\$56.4m) profit last year.

Confirming what he portrayed

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	Subfunds Price*	Yield (%)	
Merling Deposit	£1.022	12.83	
Dollar Deposit	US\$1.006	7.89	
D M Deposit	DM\$1.07	6.74	
Deposits	¥501.60	5.45	
SwF Deposit	SwF\$5.013	4.11	
American	US\$1.15	0.5	
pan	US\$1.30	0.6	
African	US\$1.16	0.6	
al Growth	US\$1.02	0.6	
icish	£1.21	2.0	
Merling Gilt	£1.05	10.5	
al High Inc	US\$0.93xnd	10.7	
on Con Bond	¥1280	2.2	
Price at 23/3/85			



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## INSURANCE, OVERSEAS & MONEY FUNDS

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**MINES—Continued**

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# FINANCIAL TIMES

Saturday March 23 1985

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## MAN IN THE NEWS

### Thatcher's company doctor prescribes

BY PETER RIDDELL

LORD YOUNG of Graffham sees himself as the midwife of the Government's efforts to encourage enterprise and job creation — helping things to happen rather than implementing them and taking the public credit.

Yet he is widely credited in Whitehall with a large share of the parentage of Tuesday's Budget. The expansion of the Youth Training Scheme emerged from a ministerial committee on 14 to 18-year-olds which he chaired, and whose other results will be reflected in a White Paper before Easter.

Similarly, he was a strong advocate of the expansion of the Community programme and his emphasis on removing disincentives to employment contributed to the proposed restructuring of national industries.

There is no dispute that Lord Young has acquired a major influence over government policy in the six months since he moved from chairing the Manpower Services Commission to become Minister without Portfolio in the Cabinet. He chairs four ministerial committees (youth training, inner cities, small firms and deregulation) with other projects on the way, and he recently led a high-powered trade mission to China.

Lord Young also has the ear of those who matter in the government, not only his original patron, Sir Keith Joseph, but also Nigel Lawson, and, crucially, the Prime Minister himself, who respects his ability to come up with solutions rather than obstacles to change. He has become the company doctor of this administration, even more so than Lord (Harold) Lever was from 1974 to 1979.

All this has required some delicacy. Lord Young has the advantage of being personally well liked and his practical approach has been contrasted favourably with what was widely seen as the backroom theorising of Sir John Hoskyns, the first head of the Downing Street Policy Unit.

Lord Young is well aware of the need to avoid rousing the jealousies of departmental ministers. Describing himself as an underdog, whose job is to get ministers talking together, he works with departments to remove obstacles to enterprise, backed by a team of 10 in the Cabinet Office. But he concedes this involves tagging and cajoling other ministers, and at times this has rankled.

At first there was some manoeuvring over turf and some ministers still feel that Lord Young's empire has grown too large and absorbs too much departmental time and effort. The greatest sensitivity, and overlap, is with the Department of Employment, and Lord Young has been careful not to take any of the limelight away from Tom King, who has announced the latest measures.

Lord Young regards the Budget as only a little bit of the programme and he insists that the main radical steps are still ahead. He often mentions the word incentive and clearly sees the need to encourage enterprise as more significant than special schemes. Most important are the decisions on the social security review and personal taxation which provide the opportunity to look at the relationship between tax thresholds and social security benefits.

His main immediate priority is deregulation. He argues, for instance, that the vitality of an economy is in inverse proportion to the number of regulations. One of his team recently visited Washington to study the U.S. cuts in regulations.

Lord Young's agenda and influence are in themselves evidence that the Government still retains its radical aspirations and has not yet settled down to Tory consolidation.

### Gen Pascoe to command Army in Ulster

By Our Belfast Correspondent

ULSTER'S General Officer Commanding, Lieutenant-General Sir Robert Richardson, will retire in June to be replaced by Major-General Robert Pascoe, currently Chief of Staff, United Kingdom Land Forces.

The disclosure coincides with the naming of a former SAS commander, Brigadier Anthony Jespes, to take up the Army's number two position in the Province from Monday.

In 1979, when the former M16 head, the late Sir Maurice Oldfield, was appointed chief security co-ordinator in Northern Ireland, General Pascoe served under him on attachment while Assistant Chief of the General Staff.

## Minister wants lower pay demands to aid workless

BY PETER RIDDELL, POLITICAL EDITOR, IN NEWCASTLE

MR TOM KING, the Employment Secretary, warned last night that the impact of the Budget in creating jobs and reducing unemployment could be lost unless unions moderated wage demands.

He was speaking on the first day of a Conservative Central Council meeting of party activists in Newcastle upon Tyne, when ministers counter-attacked over unemployment, using some techniques adopted by President Ronald Reagan in his re-election campaign last year.

Mr John Gummer, the party chairman, claimed that the £23bn cost of the coal strike was a "Scariffill tax" which otherwise could have been used to help jobs and the low-paid.

Mr King's theme was that the unions could help ensure that the Budget's impact on unemployment was not reflected in their wage negotiations with moderation and good sense.

He therefore appealed to unions to help employers create jobs through wage moderation, which could be afforded by their members as a result of the Budget.

Mr King stressed his department's major role in the Budget strategy for jobs as a result of the training, deregulation and job creation measures.

Earlier Mr Gummer mounted a strong defence of the Government's record in a strongly patriotic appeal centring on the theme: "Britain's back on the

march again, and Britain's winning through."

This message of emphasising strength and success, linked with the mention of the word Britain at least 20 times, closely follows the theme of "America walking tall again" which Mr Reagan used so successfully last year, and which dominated the Republican Convention in Dallas last August, which Mr Gummer attended.

Mr Gummer attacked Labour and Alliance criticisms that a consensus had developed against Government policy. He said this consensus was the "spendthrift economics" of the old Lib-Lab pact of the late 1970s, which led to high inflation and unemployment.

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Walker urges miners to change leadership, Page 5

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Walker urges miners to change leadership, Page 5

## Council manual pay deal agreed

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT secured agreement yesterday on one of the most important pay deals in the public sector when local authority manual workers announced acceptance of an offer worth between 4.7 per cent and 5.7 per cent, about £4 a week.

The deal, for 900,000 council manual employees, is traditionally a pace-setter in the public sector.

Many union negotiators, faced with offers of about 4 per cent, surprised that the council offer was pitched so high. Groups such as teachers and civil servants are likely to use the settlement as a bargaining counter in their pay talks.

In percentage terms the agreement is roughly comparable with offers already made in the normally higher-settling public utilities of water, gas and electricity.

Water authority employees last night made a small overall improvement to their pay offer to the industry's 27,000 manual water and sewerage workers, increasing it to a "final" 5.2 per cent. The unions said the total package was worth 5.5 per cent. Union leaders said there had been "significant improve-

ments" in the offer, which has been reshaped to give a £5.24 flat-rate increase, with offers of further talks on important areas of pay consolidation and productivity.

The unions agreed to put the offer to their members, with no recommendations, with a reply by April 26.

Council union leaders believe the local authority employers made their offer partly because council workers had begun to co-ordinate action with the teachers, causing the employers to fear the opening of a second front.

Public service union officials intend to use this example to illustrate the need for greater co-operation in pressing pay claims, when they speak next Tuesday at a special conference called on the issue by the TUC.

Although the unions made no recommendation when they put the councils' offer to their members, they described it as "respectable."

It was accepted by 58 per cent to 42 per cent in the General Municipal and Boilermakers' Union; 69 per cent to 31 per cent in the National Union of Public Employees; and about

two to one in the Transport and General Workers' Union.

The deal, spread over 10 months and backdated to November 4, will add £4 across the board to present rates, which range from £70.30 to £85.25 for a 39-hour week.

Union leaders said that they expected tangible gains from talks with the employers on pay grading structures, which should be completed by September 1 when the next pay award is due, and from longer-term talks on working time.

Mr John Edmonds, GMBU public services national officer and an expected candidate in the union's forthcoming election for a general secretary, said the unions regarded the agreement as "no more than a holding operation."

The GMBU will hold a special conference next month to plan a pay campaign supporting the September claim.

Mr Edmonds said: "Over 40 per cent of GMBU representatives voted for industrial action this year."

If the grading structure talks don't produce real benefits for our low-paid members, another 'dirty jobs' strike seems inevitable this autumn."

## Ohio bank crisis official sacked

BY PAUL TAYLOR IN NEW YORK

EFFORTS to resolve the Ohio savings bank crisis were plunged into confusion yesterday after the state's governor sacked the state official responsible for overseeing the reopening of the banks and asked seven of them which had reopened without state permission to close their doors again.

Gov Richard Celeste ordered the state's 71 privately-insured savings banks to close eight days ago after the collapse of the largest, Home State Savings, triggered a run on their deposits.

Gov Celeste said he was replacing Mr Thomas Batties, the state's recently appointed superintendent of savings and loans, with Mr Robert McAllister, a prominent local lawyer.

The governor gave no reason for the surprise move but said in a prepared statement that Mr Batties had "rendered useless" the state's services to the banks through the savings bank crisis.

Gov Celeste added: "He's performed extraordinarily well under extremely difficult circumstances and I am grateful for his dedication."

However, the governor's office added later that the decision was taken because "the governor decided we needed some extra help in that area."

Mr Batties, who had held the job for just a few weeks and would return to his previous position as legal counsel to the department, "was appointed at a time when we did not know there would be problem of this magnitude."

The job switch comes at a crucial time for the state's savings industry. Under state legislation passed earlier this week the superintendent is responsible for authorising the reopening of the savings banks after they have applied — and proved themselves eligible — for federal deposit insurance.

So far three of the banks have been formally allowed to reopen under the new rules.

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## Poland offered credit by Bonn

By Christopher Bobinski in Warsaw and David Buchan in London

WEST GERMANY yesterday became the first Western government to offer Poland new trade credit, provided that the Warsaw Government formally signs an agreement rescheduling \$12.7bn (£10bn) unpaid debt that fell due to Western governments in 1982-84.

Dr Martin Bangemann, the West German economics minister, yesterday told a press conference during his two days of talks in Warsaw that the West German offer is an important signal to Poland's other creditors, and calls on them to follow suit. If they did so, he was sure that "Poland will certainly be able to manage its debt."

The West German offer is an important concession to Poland, which has not received any major Western credit since 1981 when it sought debt rescheduling and imposed martial law.

Ever since the 1983 lifting of martial law, Polish officials have been clamouring for fresh Western money on the grounds that they need it to meet even an extended debt repayment schedule.

The Western German minister yesterday described Poland's suggestion that Bonn lend Warsaw \$450m this year as "impossible."

Significantly, he refused to put any figure on what Bonn might offer. It is clear that it will be considerably less than what the Poles sought.

Assessing its Western creditors by their share of trade with Poland, Warsaw asked Bonn for the largest single amount, \$450m this year and \$500m next year. It requested loans from the UK of \$440m this year and \$250m in 1986.

Sir Geoffrey Howe, the Foreign Secretary, is to visit Warsaw next month, and it is possible that he might follow Dr Bangemann's lead in offering some unspecified sum.

At the same time, the West Germans are stressing that they support Poland's application to the International Monetary Fund, and Dr Bangemann said he would be taking the issue up "in Bonn and Washington."

It is also clear that the West German credits will in future be closely linked to small-scale investment projects aimed at boosting Poland's hard currency export potential.

Continued from Page 1

## BT order

software changes needed to adapt AXE10 to work in the UK network.

The British Telecommunications Unions Committee, comprising BT's main unions, criticised the contract because of the possible loss of UK jobs. The committee also criticised the management of the UK telecommunications equipment companies for not going out to win orders and increase jobs.

AT & T would not say last night if the loss of the order would affect the decision on whether to build a microchip design centre in the UK. Earlier this year it had indicated it might eventually build a microchip plant if APT won the order.

Continued from Page 1

## S. Africa

and interviews with South African Ministers and prominent black and white opposition leaders and clergymen.

A shortened version of the debates has been shown by South African television every night, giving local viewers an unprecedented insight into the kind of no-holds-barred debate never before seen on the government-controlled TV and radio network.

Mr Chris Heunis, Minister for Constitutional Development, backed out of his scheduled appearance in last night's programme amid government complaints that the programme was one-sided and gave a biased view of South Africa.

In the U.S., President Ronald Reagan and Mr George Shultz, Secretary of State, added their voice to a storm of international protest over the Uitenhage shootings.

Mr Chester Crocker, the Assistant U.S. Secretary of State, who was in Cape Town yesterday, called the violent events "a tragic reminder of what happens when there is no basis of consent between those who govern and those who are governed."

Mr Crocker was in South Africa for a new round of talks with the independence of Namibia.

During two days of talks with Mr P.W. Botha, the South

African Foreign Minister, Mr Crocker revealed details of a compromise plan put forward by the Angolan Government at recent talks in the Cape Verde Islands for a phased withdrawal of Cuban troops from Angola.

South Africa and the U.S. have linked the Namibian independence question to Cuban withdrawal.

Meanwhile, labour unrest in the South African gold mines has added to the tension in the townships. Police yesterday used teargas to disperse protesting black gold miners at the Vaal Reef gold mine near Klerksdorp.

That unrest is a symptom of a wider economic malaise. The government yesterday announced that the annual inflation rate shot up to 16 per cent last month and further increases are in the pipeline following the 20 per cent increase in the general sales tax in this week's budget.

Mr Denis Worrall, the South African Ambassador to Britain, was yesterday told of the UK's condemnation of the Uitenhage violence.

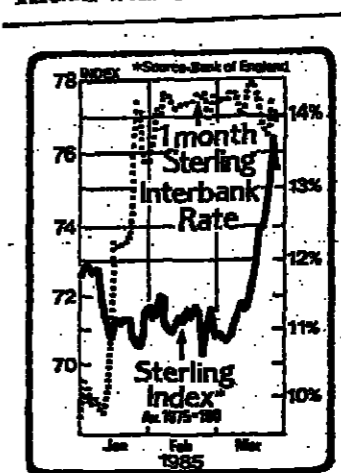
Mr Richard Luce, Foreign Office Minister, told Mr Worrall during a 20-minute meeting that Britain's attitude was "serious."

After the meeting, Mr Worrall said that Mr Luce had "simply indicated the British Government's condemnation of the events."

## THE LEX COLUMN

# Just a touch of fiscal tedium

Index fell 0.7 to 992.4



When the City talks about a dull Budget, it is not necessarily a complaint. Whatever enthusiasm there may be for tax reforms in theory—in theory, at least, the unlikely people agree on sweeping changes in the tax system—there is in practice a decided preference for things staying put. Certainly the insurance industry has not been remotely disappointed that the Chancellor chose not to tax pension funds.

If the Budget's dullness was satisfactory from that point of view, there was another old-fashioned strand in it which went down well with money-watchers in the gilt-edged market at least: despite the predictable half-point cut in base rates which followed Mr Lawson's performance, the Budget seemed to have marked the start of an old-fashioned credit squeeze.

Easy to understand as a response to the political battering Mr Lawson has taken since the pound cracked in January, a return to ostentatiously tight money will do no good for demand—and probably not much for the equity market.

It is also a bit odd in its timing, since the dollar has at last run into serious selling, amid signals of rising U.S. inflation and slower growth. What- ever the point of 9 per cent real interest rates in the UK, they are not actually needed just now to defend sterling.

Even for the purpose of curbing inflation, current rates do seem on the high side. If the clearing banks manage to take off another half point next week—which is about as much as anyone hopes for—that still leaves mortgage rates moving the other way, and directly affecting both the inflation rate and consumer spending.

Gerrard/Capel

The proposed gilt-edged collaboration between James Capel and Gerrard and National was mystifying from the start, so there is correspondingly little surprise that the venture has been called off—before the new market in gilt-edged had even come into being. Although there was some attraction in putting Gerrard's market-moving skills together with Capel's ability to distribute stock among retail clients, the way the partnership was meant to work never seemed too convincing to outsiders: reported ideas that the broker's gift-

salesmen would be able to get fine prices from other market makers evoked hollow laughter from one-parent competitors.

Gerrard has also realised that without a definite need to operate its new gilt department in separate premises, its need for outside capital—and a broking partner—would be less. And if the Bank of England is going to trade all maturities of gilt interest paper in the same dealing room, Gerrard might well wish to do the same; sharing the secrets of its bill book with Capel—as would inevitably then happen—was presumably not on.

Gerrard's rising share price also casts an interesting light on the broken engagement. Over a period when rising interest rates have made life hard for discount houses, Gerrard has looked suspiciously strong. Up 15p on yesterday's news to 37p, Gerrard's shares have risen 30p in the last week. Though it may have no intention of being taken over—and is eminently capable of self-defence—the market will not be persuaded that Gerrard has no other deal up its sleeve.

Turner & Newall

Once a blue-chip component of the FT-30 Share Index, then bombed out, and finally a recovery stock, Turner and Newall shares are now starting to lose their sense of identity. A 64 per cent rise in pre-tax profits to £20.5m evidently did not qualify as recovery enough yesterday—the shares treated the news with nothing short of disdain, falling 6p to 106p.

Even Sir Francis Tombs must be wondering when to cash in his enviable lucrative options, for it is hard to see how much further the company can recover from here. True, there is still room for cost-cutting with UK margins under 7 per cent. But the asbestos-related disease claims which took £10.7m out of profits in 1984 are not going to go away; the company grimly compares them with royalty fees. And in the longer term, T and N's markets are hardly dynamic, so the only obvious way it can grow is by acquisition.

From this point of view, the reduction in gearing to just over 20 per cent is encouraging. But T and N will have to work harder to lift its share price if it wants to finance with paper. Yesterday the shares were only just over their £1 par price, and assuming £27m for the year, they stand on a prospective p/e of just 6.

Snakes and ladders

For all its recovery, Turner and Newall's market capitalisation is just \$2.5m higher than in 1983. Not many companies have managed to stand that still without actually going bust. Judging by a league table proudly prepared by the Stock Exchange that year, by means of the punched card system operated by the electronic machinery in the Settlement Department, the solid top-flight stalwarts are now worth about ten times more than they were then—at least in 1983 money.

Today's list is not just higher tech; it portrays a telling picture of how the British economy has changed. Some companies have been both nationalised and privatised. Others, like the Micro Group, have been taken over twice and all but floated again in between. Out go Woolworths, Distillers and Court- ous from the upper reaches; in come BTR, Hanson Trust and Glaxo. GKN and Metal Box are hardly to be found in the new list, while Midland Bank has slipped from 17th to an inconspicuous 56th.

It is the growth by acquisition that is most startling. There is GEC, in 1983, dwarfed by AEG and English Electric and only slightly larger than Elliott Automation; all companies that it was later to buy. But if Hanson and BTR are proud of coming up from nowhere, they might do well to look at the 1973 list, which was just as rich in industrial holding companies. Where are they now?

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Consumption of wine, both in the United Kingdom and overseas, and in particular in the United States, has been steadily increasing over the last 25 years. In the case of fine wines, due to strict production controls, the supply is restricted. Fine wine prices overall have increased significantly over the last ten years and the fine wines to be purchased should provide a secure asset backing to the value of the Company's shares.

Applications received by 2nd April 1985 should qualify for income tax relief in respect of the year ending 5th April 1985. Applications received by 26th April 1985 should qualify for income tax relief in respect of the year ending 5th April 1986. Copies of the Prospectus and Application Form can be obtained from Sheppards and Chase by sending in the completed coupon or by telephoning 01-606 8699.

To: Sheppards and Chase, Clements House, Gresham Street, London EC2V 7AU. Please send me a copy of the Prospectus of Fine Vintage Wines PLC.

Name \_\_\_\_\_ Address \_\_\_\_\_

Tel No. \_\_\_\_\_

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